



Imperial Oil



Annual Report to Shareholders

1994

Howard
of
1994
McGill

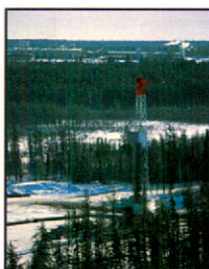
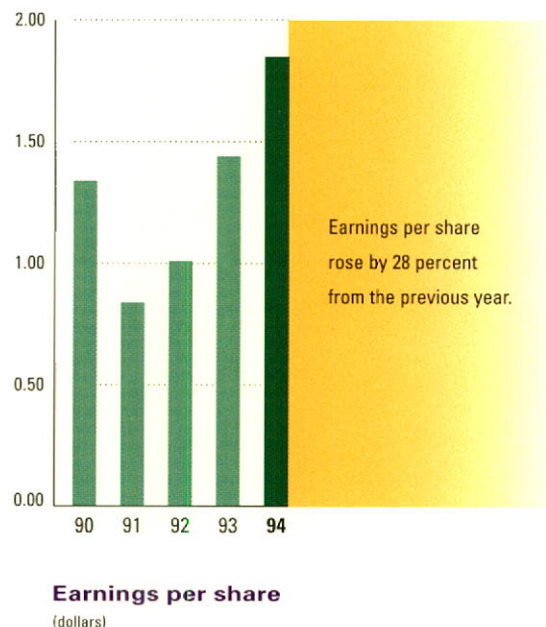
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The company meets "management, discussion and analysis" (MD&A) reporting requirements by incorporating the necessary information into the letter to shareholders, the review of operations and the financial review, which are located on pages 2 through 26 of the report.

HIGHLIGHTS

Net earnings increased for the third consecutive year, bolstered by higher prices for heavy oil, natural gas and petrochemicals. Higher costs for planned refinery maintenance and lower industry margins reduced petroleum-product earnings. Proved oil reserves increased and the company's financial position remained strong even after payment of \$930 million in dividends and \$540 million in capital and exploration expenditures.



About the cover

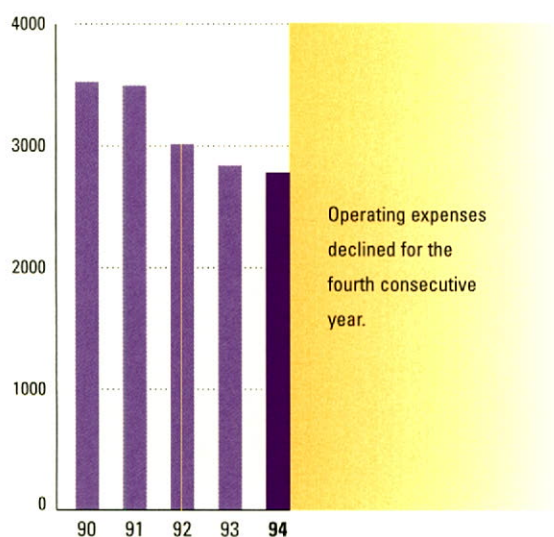
Drilling has begun on a \$240-million expansion of the company's Cold Lake heavy-oil project in northeastern Alberta. Production will increase to more than 125,000 barrels a day in 1997 from current levels of 88,000 barrels a day.

FINANCIAL HIGHLIGHTS (1)

	1994	1993	1992
(millions of dollars)			
Net earnings	359	279	195
Cash flow provided from earnings (2)	1 067	1 166	1 148
Cash provided from operating activities (2)	783	1 438	1 436
Capital and exploration expenditures	540	538	467
(percent)			
Return on average capital employed	4.1	3.2	2.4
Return on average shareholders' equity	5.7	4.2	2.9
(at December 31)			
Share price to earnings ratio	25.0	31.1	40.2
Share price to cash flow provided from earnings	8.4	7.4	6.9
Share price to cash provided from operating activities	11.4	6.0	5.5
(dollars per share)			
Net earnings	1.85	1.44	1.01
Cash flow provided from earnings (2)	5.50	6.01	5.92
Cash provided from operating activities (2)	4.04	7.42	7.41
Dividends	4.80	1.80	1.80

(1) Financial percentages and ratios in this and other tables throughout the annual report are defined on page 33.

(2) Cash flow provided from earnings and from operating activities are defined on page 29.



Operating expenses

(millions of dollars)

Company profile

Imperial Oil Limited is one of Canada's largest corporations and has been a leading member of the country's petroleum industry for more than a century. The company's mission is to create shareholder value through the development and sale of hydrocarbon energy and related products.

Imperial is the country's largest producer of crude oil and a major producer of natural gas. It is also the largest refiner and marketer of petroleum products – sold primarily under the Esso brand – with a coast-to-coast supply network. As well, the company is a major supplier of petrochemicals.

LETTER TO SHAREHOLDERS



R.B. (Bob) Peterson
Chairman, president and
chief executive officer

Nineteen ninety-four proved to be another year of sustained earnings growth for Imperial, with the company posting its best results since 1988. It was

also a year that saw the company maintain its considerable financial strength and make the largest addition to its proved reserves of crude oil since it acquired Texaco Canada in 1989.

While the year's results were supported by a strengthening North American economy and growing consumer confidence, the major markets for the company's products were also influenced – adversely in some cases – by other external factors and events.

Earnings from the natural-resources segment of the business increased over 1993 on the strength of improved prices for heavy crude oil and natural gas. Demand for heavy crude oil (such as Imperial produces at Cold Lake, Alta.) was strong in North America – and elsewhere – as refiners sought to reduce costs by turning to heavier feedstocks. This increased international demand for heavy oil boosted its price relative to lighter grades of crude oil.

On average, however, 1994 world crude-oil prices were lower than they were in 1993.

Earnings from the natural-resources segment of the business increased over 1993 on the strength of improved prices for heavy crude oil and natural gas

The ability of oil producers worldwide to increase production in this price environment demonstrates the increasing international competitiveness of the industry and underlines the need for our company to keep production costs to an absolute minimum, consistent with maintaining the highest safety and quality standards.

Prices for natural gas were higher for most of the year, reflecting strong domestic and export demand. However, by the end of 1994 markets for natural gas were again starting to decline, resulting in a marked falling off of prices and providing further evidence of

PRIORITIES

Since 1991, our strategies have been founded on four priorities that we established to improve the profitability of our business and to provide a sound basis for business growth.

the volatility that we expect to continue to characterize the industry.

While the recovering economy increased demand for petroleum products, there was no improvement in the very meager margins that have prevailed in this side of the business for several years, largely as a result of the surplus capacity that exists throughout the country, particularly in the retail area.

Petrochemicals provided a particularly bright spot in Imperial's 1994 results. Demand was strong for most products, particularly in the second half of the year, and prices were sharply higher.

The return to growth of the Canadian economy provides reasons to be somewhat more optimistic about the near future. However, we do not expect any significant change in the fundamentals of our industry. While product demand should continue to improve with a growing economy, supplies are plentiful and competition is intense. Crude-oil and natural-gas prices are expected to remain volatile, with no sustained increases likely.

Imperial's plans and programs will continue to focus on those aspects of the business that lie most directly within our control. Since

Imperial's four priorities:

Strive for excellence in execution – performing the day-to-day fundamentals of the business better than the rest of the industry.

Achieve a first-quartile cost structure – having lower unit costs than at least three-quarters of our competitors.

Improve asset productivity – investing selectively in high-return opportunities and divesting noncore operations.

Increase profitable sales volumes – capitalizing on opportunities throughout our operations.

1991, our strategies have been founded on four priorities that we established to improve the profitability of our business and to provide a sound basis for business growth. These now-familiar themes have already served us well and will continue to guide our decisions and our operations in the near-term future.

Our first priority we call **excellence in execution**. Essentially, it means performing the day-to-day fundamentals of the business better than the rest of the industry. It requires maintaining the highest business standards and continuous improvement in all of Imperial's management processes, and in the skills and effectiveness that employees bring to their duties.

The second priority is to achieve a **first-quartile cost** structure in each of our major business areas. This translates into having lower unit costs than at least three-quarters of our competitors. Available data now make it possible for us to measure how well we perform in the area of expense management versus our competition and to set specific cost targets for each of our business segments.

We have already achieved considerable progress. Our polyethylene business, for example, is well within the first quartile for its industry in North America and so, in aggregate, are our refineries, which have done an excellent job in reducing costs.

However, in other areas there is still room for improvement. In natural resources, we need to reduce the cost of producing conventional oil and gas to get this segment on a more competitive basis. Our aim is to reduce annual operating costs in conventional operations by more than \$100 million by the end of 1995, compared with 1993. In the downstream, our major challenge – and the largest opportunity – lies in the area of retail marketing, where we have a large capital investment that, in a highly competitive environment, is currently providing an unacceptable return. We are looking to further improve the competitive cost structure of this part of the business to first-quartile standing by 1997.

Our third priority is to **improve the productivity of our asset mix**, both by selective investment in high-return opportunities and by the divestment of non-core and under-performing operations.

Early in 1994, we sold our fertilizer manufacturing plant in Western Canada,

which we did not regard as a core holding. By mid-1995 we will close our Ioco, B.C., refinery and supply West Coast markets from our Strathcona refinery in Edmonton, further improving the productivity of this very efficient facility.

We are continuing our program to improve the efficiency of our service-station network by closing or consolidating less-productive stations, while strengthening our best sites. Over the next few years, we will upgrade around 200 existing high-potential outlets. In addition, we will make a substantial investment in about 20 new ultra-modern stations in prime locations.

Our fourth priority is to **increase profitable sales volumes**. We see many opportunities for this throughout our operations. Recently, for example, we announced plans to complete two further phases of our Cold Lake development and to make further improvements in the existing eight phases. This \$240-million investment will bring Cold Lake production to more than 125,000 barrels a day in 1997. We also see considerable growth opportunities in natural gas over the longer term.

In petroleum products, we will continue to focus on those markets that offer the highest

**The challenge we face
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**We have a great
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profit potential, while continuing to shed marginal business.

Our polyethylene business, where we have increased capacity by 20 percent over the last two years, also offers good opportunities for earnings growth.

Those are the priorities that we believe will bring improved financial results and increased shareholder value in the near term. We will continue to concentrate on the achievement and maintenance of a first-quartile cost structure, the superior execution of business fundamentals and painstaking attention to day-to-day detail throughout our activities.

Looking further ahead, the challenge we face is how best to deploy the company's enormous and unmatched resources to achieve sustainable long-term growth. This is a subject of fundamental importance to existing shareholders and potential investors.

As a company we have impressive financial depth. We have a very healthy cash position and a strong cash flow, complemented by a manageable debt load and a high credit standing.

We possess an outstanding resource base, with strong positions in the most promising

segments of the business. In the oil sands – themselves a huge resource and one destined to become more important in Canada's energy supply – we hold a commanding industry lead with our part-ownership of Syncrude and our own Cold Lake facility, which has become an excellent contributor to earnings. We hold a major position in natural gas, a fuel with an excellent long-term future.

In the downstream, we possess efficient refineries and an unparalleled network of distribution terminals, bulk plants and retail stations.

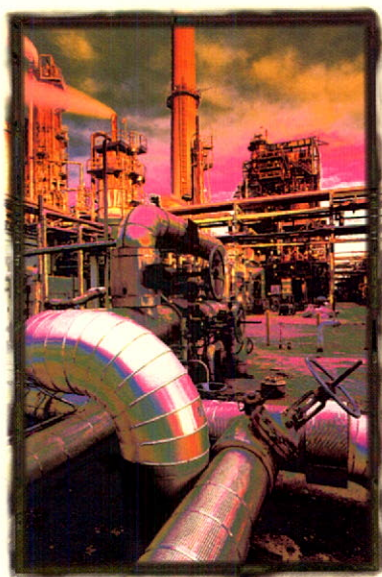
And, finally, we have a great organization, staffed by some of the most talented and dedicated people in the industry. Over the course of several difficult years, our employees have demonstrated their ability to adapt successfully to rapidly changing circumstances and to meet a succession of challenges. Their skills continue to bring added value to every corner of our business.

Imperial indeed possesses a diverse portfolio of resources that is unmatched in the Canadian petroleum industry. Given such an unbeatable combination of strengths, I am confident we can look forward to steady and sustained growth in the company's earnings in the coming years.



February 28, 1995

REVIEW OF OPERATIONS



Nineteen ninety-four net earnings were \$359 million, up from \$279 million in 1993 (1992 – \$195 million). Unusual items were negative \$37 million in 1994, comprising a charge of \$31 million for staff

reductions in the natural-resources segment and a \$6-million loss on asset sales. That compared with unusual items of negative \$70 million in 1993, which included a \$54-million provision for closing the company's Ioco refinery near Vancouver in mid-1995 (1992 unusual items – negative \$63 million).

Earnings excluding unusual items increased to \$396 million in 1994 from \$349 million

the previous year (1992 – \$258 million).

A detailed discussion of results in the company's three main operating segments begins on page 9.

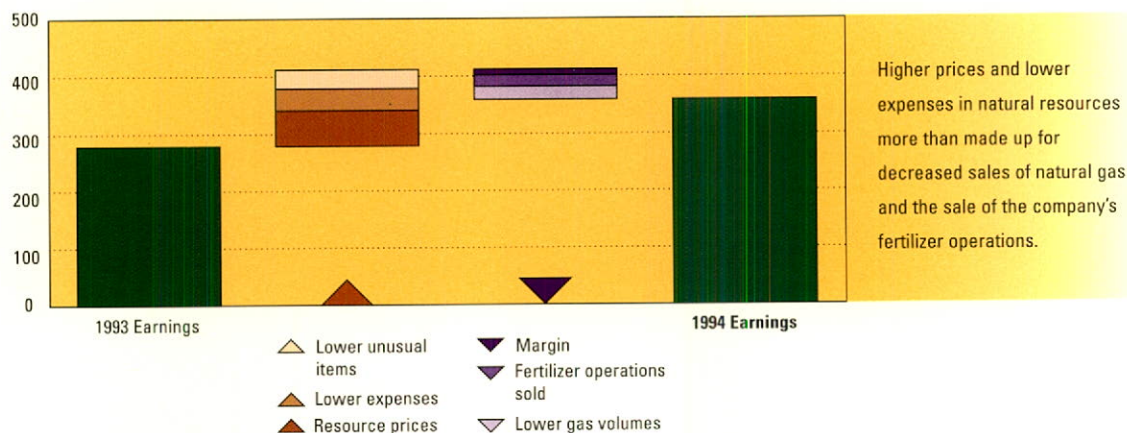
Corporate and other accounts recorded a charge to earnings of \$72 million, compared with \$86 million in 1993 (1992 – \$64 million). The main reasons for the reduction were favorable tax adjustments and financing costs.

Expenditures on research and development in Canada totaled \$64 million in 1994, compared with \$77 million in 1993 (1992 – \$69 million).

The funds were used mainly for the development of improved methods for recovering crude oil, particularly heavy oil, and for developing better lubricants and processes for making them. During the year, Imperial and Exxon Corporation announced

Imperial Oil earnings analysis

(millions of dollars)



Earnings increased for the third consecutive year, reaching their highest level since 1988.

HIGHLIGHTS

plans to consolidate their North American petroleum-product research at three "centres of excellence" by the end of 1995. Imperial's research centre in Sarnia will now have responsibility for all of the companies' lubricant product research in North America. Some of the research activities previously carried out at Sarnia have been transferred to laboratories in Louisiana and New Jersey.

In January 1994, the Imperial Oil Charitable Foundation began operation, carrying on the company's long-standing philanthropy efforts. During the year, about 600 charitable organizations across the country received about \$5 million in support of education, community services, health and welfare, culture, and sports and recreation.

Expenditures on research and development in Canada were \$64 million, aimed mainly at improving heavy-oil recovery technology and developing more effective lubricants.

The company donated about \$5 million to 600 charitable organizations across the country.

The number of full-time employees declined to 8,252 during the year, down from 9,470 in 1993 (1992 – 10,152). The main reasons for the reduction were the sale of the company's fertilizer manufacturing operations and related distribution terminals, the conversion of more than 60 service stations from company-operated to agent-operated, and a program to improve the competitiveness of the company's conventional oil and gas operations.

EMPLOYEES

	1994	1993	1992	1991	1990
(at December 31)					
Number of full-time employees	8 252	9 470	10 152	11 936	14 702
(millions of dollars)					
Total payroll and benefits (1)	779	875	918	1 196	1 206
(thousands of dollars)					
Payroll and benefits per employee (2)	76	73	74	76	68

(1) This includes both the company's payroll and benefit costs, as well as its share of the Syncrude joint-venture payroll and benefit costs. It excludes work-force-reduction costs.

(2) These are calculated by dividing the total payroll and benefits for full-time company employees by the monthly average number of full-time company employees.

Sixty-one new employees were hired during 1994 as part of the company's ongoing program of campus recruitment.

In 1993, the company undertook a comprehensive employee opinion survey, which showed Imperial employees have favorable opinions about such matters as salaries and benefits, the quality of supervision and the results-oriented ethic of the company. However, the survey also indicated relatively high employee concern about stress levels in the work environment and about the employee development process.

The company responded to those concerns by sponsoring a series of stress-management seminars for employees and spouses at major plant and office locations across the country. By year-end, more than 2,800 employees and spouses had attended 33 seminars. Based on the favorable response by participants regarding the effectiveness of the seminars, an additional 21 have been scheduled for 1995.

Substantial advances were made in 1994 on improved capability development for all employees.

EARNINGS EXCLUDING UNUSUAL ITEMS BY SEGMENT

(millions of dollars)	1994	1993	1992	1991	1990
Natural resources	203	108	209	128	463
Petroleum products	212	292	99	123	(52)
Chemicals	53	35	14	2	24
Corporate and other	(72)	(86)	(64)	(163)	(150)
Total	396	349	258	90	285

UNUSUAL ITEMS BY SEGMENT

(millions of dollars)	1994	1993	1992	1991	1990
Natural resources	(36)	(16)	(58)	149	(32)
Petroleum products	—	(54)	(5)	—	10
Chemicals	(1)	—	—	—	—
Corporate and other	—	—	—	(77)	(7)
Total	(37)	(70)	(63)	72	(29)

NET EARNINGS BY SEGMENT

(millions of dollars)	1994	1993	1992	1991	1990
Natural resources	167	92	151	277	431
Petroleum products	212	238	94	123	(42)
Chemicals	52	35	14	2	24
Corporate and other	(72)	(86)	(64)	(240)	(157)
Net earnings	359	279	195	162	256

EARNINGS SENSITIVITIES

(after tax)	
Each \$1(U.S.)-a-barrel change in crude-oil prices	\$ 70 million
Each \$0.10-a-thousand-cubic-foot change in natural-gas prices	\$ 10 million
Each one-cent difference in sales margins a litre of petroleum product	\$ 115 million
Each one-cent (U.S.) change a pound in polyethylene prices	\$ 5 million
Each one-cent decrease (increase) in the value of the Canadian \$ vs the U.S. \$	+(-) \$ 20 million

NATURAL RESOURCES



Net earnings from natural resources were \$167 million in 1994, up from \$92 million the previous year (1992 – \$151 million). The main

reasons for the improvement were higher prices for heavy oil and natural gas, and lower costs.

Unusual items were negative \$36 million, including a \$31-million provision for a staff-reduction program and a \$5-million loss on asset sales. That compared with negative \$16 million in 1993 (1992 – negative \$58 million).

Earnings excluding unusual items were \$203 million, up from \$108 million in 1993 (1992 – \$209 million).

Higher prices boost revenues

Revenues from natural resources increased to \$2.3 billion in 1994 from \$2.2 billion in 1993 (1992 – \$2.3 billion). Higher prices for heavy oil and natural gas more than offset reduced sales volumes of natural gas and conventional crude oil.

World oil prices were lower, on average, in 1994 than they were in 1993. In U.S. dollars, the price of Brent crude oil (a widely traded reference crude oil produced in the North Sea) started the year at \$13 a barrel. Prices then rose to about \$18 a barrel during the summer before falling back to about \$16 at year-end. Average prices for the year were \$15.80, compared with an average of \$17 in 1993 (1992 – \$19.40).

NATURAL RESOURCES

	1994	1993	1992	1991	1990
Financial statistics	1994				
(millions of dollars)					
Earnings	167	92	151	277	431
Revenues	2 297	2 158	2 335	2 406	3 210
Capital and exploration expenditures					
Exploration	65	51	52	120	111
Production	157	239	163	200	232
Heavy oil	49	63	28	59	51
Other	—	—	—	—	5
Total capital and exploration expenditures	271	353	243	379	399
(at December 31)					
Capital employed	5 303	5 697	6 140	7 042	7 458
(percent)					
Return on average capital employed	3.0	1.6	2.3	3.8	5.5

HIGHLIGHTS

Natural-resource earnings increased by more than 80 percent from the previous year because of higher prices for heavy oil and natural gas, and lower expenses.

Additions to proved oil reserves totaled 259 million barrels, more than 280 percent of 1994 production.

Syncrude set its fifth straight annual production record.

Canadian prices relatively strong

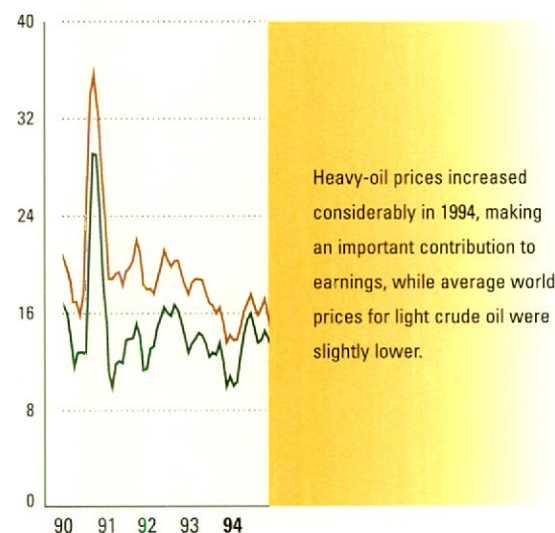
Canadian crude-oil prices were relatively stronger than international prices. Transportation bottlenecks on moving crude oil into the U.S. mid-west caused prices in that region to be relatively higher than world prices. This had a positive impact on Canadian prices. The decline in the value of the Canadian dollar also contributed to the relative strength of oil prices in Canada.

The net result of those factors was that the company's average realizations for conventional light Canadian crude oil decreased only slightly to \$19.46 (Cdn.) a barrel from \$19.58 in 1993 (1992 – \$21.31).

Prices received for blended bitumen from Cold Lake increased considerably in the year, making an important contribution to the company's earnings. The improvement reflects

stronger demand for heavy crude oils in North America and around the world.

Prices for natural gas were strong at the beginning of 1994. As a result, average industry prices for the year were about six percent higher than in 1993, despite the fact that gas prices weakened as the year progressed. Imperial's average realizations on natural-gas sales increased by about 12 percent to \$1.97 a



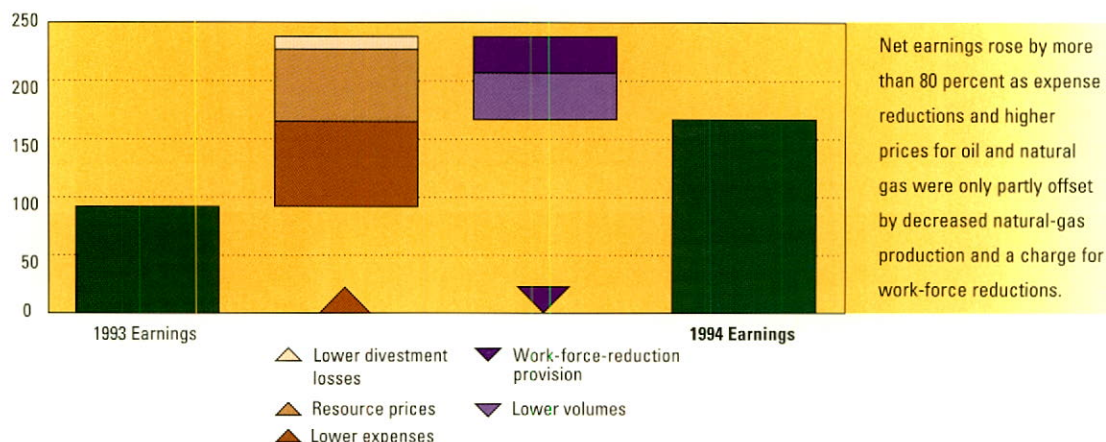
Crude oil prices

(U.S. dollars a barrel)

- Light crude oil (Brent)
- Heavy crude oil (Bow River-Bantry)

Natural resources earnings analysis

(millions of dollars)



thousand cubic feet, compared with \$1.76 in 1993 (1992 – \$1.45).

Oil volumes maintained

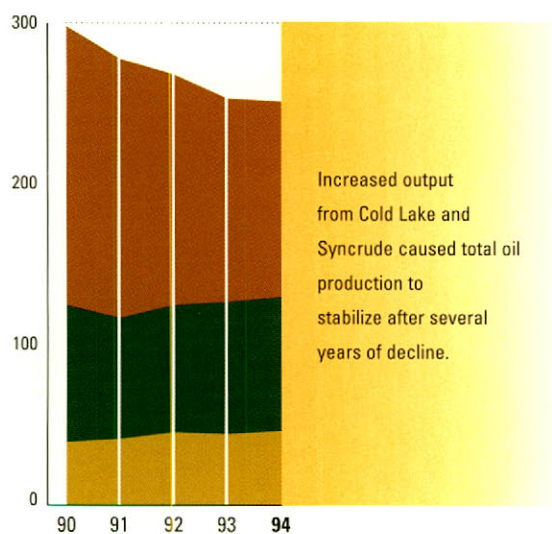
Imperial's net production of crude oil and natural-gas liquids (NGLs) was 251,000 barrels a day, almost equaling 1993 production of

253,000 barrels (1992 – 268,000). That contrasted with several years of declines of about five percent. Increased production of bitumen from Cold Lake and light crude oil from Syncrude largely offset the four-percent decline in conventional crude-oil production.

Domestic oil production continued to be constrained by lack of capacity on the main pipeline system to eastern markets. These pipeline constraints restricted Imperial's production by about 7,000 barrels a day on average over the course of the year. In December, a major expansion of that pipeline began operation. The expansion is expected to relieve transportation bottlenecks over time.

Bitumen output up

Net bitumen production at Cold Lake increased to 83,000 barrels a day in 1994 from 82,000 barrels in 1993 (1992 – 79,000). The main reason was improved performance from phases 7 & 8, which were brought into production in late 1992. Bitumen production from Cold Lake now represents more than



Crude oil and NGLs – net production by source

(thousands of barrels a day)

- Conventional and NGLs
- Cold Lake
- Syncrude

30 percent of Imperial's total daily production of liquid hydrocarbons.

Syncrude, in which Imperial has a 25-percent interest, achieved its fifth year of consecutive gross production increases, setting another record. Total gross output increased to 191,000 barrels a day from 184,000 barrels in 1993 (1992 – 180,000). Imperial's share of net production increased to 46,000 barrels a day from 44,000 barrels in 1993 (1992 – 45,000).

Natural gas volumes declined

Net production of natural gas decreased by 14 percent to 444 million cubic feet a day from 516 million cubic feet in 1993 (1992 – 482 million). The main reasons for the reduction were the sale of producing properties, natural reservoir decline and the company's decision to shut in certain production in response to falling prices.

Net production available for sale (after deducting the company's internal use) declined proportionally to 286 million cubic feet a day from 328 million cubic feet in 1993 (1992 – 325 million).

Expenses reduced

Natural-resource expenses declined by about five percent during the year.

An independent study, completed early in 1994, found that Imperial's cost for conventional oil production was higher

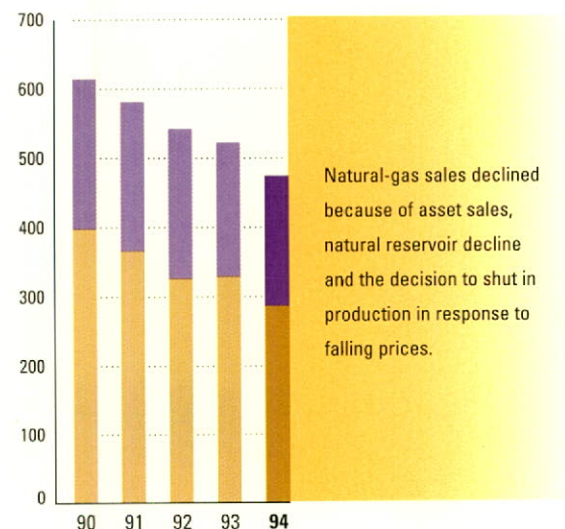
than the best of its competitors. As a result, the company initiated programs to reduce operating costs, with the objective of achieving first-quartile cost performance by 1996.

Core holdings enhanced

Imperial continued to reduce its holdings of marginal producing properties, while increasing its interests in core properties when attractive opportunities to do so arose. In 1994, working interests were increased in 17 properties, while the company divested interests in 126 properties.

Proceeds, primarily from property sales, were \$115 million, compared with \$90 million in 1993 (1992 – \$188 million). The increase from 1993 reflects a more active market for oil and gas properties.

Capital and exploration expenditures were \$271 million in 1994, down from \$353 million in 1993 (1992 – \$243 million).



Natural gas sales

(millions of cubic feet a day)

- Sales of purchased gas
- Net production available for sale

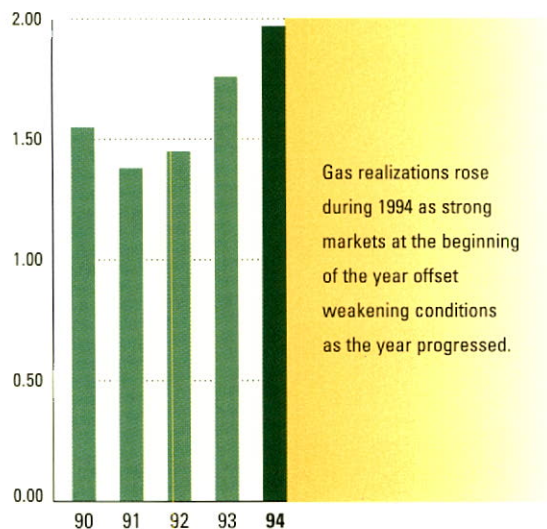
CRUDE OIL AND NGLs

	1994		1993		1992		1991		1990	
	gross	net	gross	net	gross	net	gross	net	gross	net
Production and sales (1, 2) (thousands of barrels a day)										
Conventional crude oil	115	93	120	96	135	106	159	124	184	148
Cold Lake	88	83	86	82	83	79	79	75	88	85
Syncrude	48	46	46	44	45	45	41	41	39	39
Total crude-oil production	251	222	252	222	263	230	279	240	311	272
NGLs available for sale	32	29	31	31	39	38	39	38	31	26
Total crude-oil and NGL production	283	251	283	253	302	268	318	278	342	298
Cold Lake sales including diluent	121			118		110		110		120

NATURAL GAS

	1994		1993		1992		1991		1990	
	gross	net	gross	net	gross	net	gross	net	gross	net
Production and sales (1, 2) (millions of cubic feet a day)										
Production (3)	541	444	629	516	561	482	641	550	639	537
Production available for sale (4)	385	286	441	328	401	325	445	365	498	397
Sales	474		522		542		581		611	

- (1) Volumes a day are calculated by dividing total volumes for the year by the number of days in the year.
- (2) Gross production is the company's share of production (excluding purchases) before deducting the shares of mineral owners or governments or both. Net production excludes those shares.
- (3) Production of natural gas includes amounts used for internal consumption with the exception of amounts reinjected.
- (4) Production available for sale excludes amounts used for internal consumption and amounts reinjected.



Natural gas average realizations

(dollars a thousand cubic feet)

PROVED RESERVES OF CRUDE OIL AND NATURAL GAS (1)

	Crude oil and NGLs (millions of barrels)								Natural gas (billions of cubic feet)	
	Conventional		Cold Lake		Syncrude		Total		gross	net
	gross	net	gross	net	gross	net	gross	net		
1990	855	680	847	766	439	297	2 141	1 743	4 730	3 827
1991	743	585	818	738	424	283	1 985	1 606	4 184	3 396
1992	629	502	829	719	408	327	1 866	1 548	3 236	2 651
1993	555	444	798	691	392	314	1 745	1 449	3 053	2 505
1994	519	416	868	752	529	448	1 916	1 616	2 644	2 302

(1) Gross reserves are the company's share of reserves before deducting the shares of mineral owners or governments or both. Net reserves exclude these shares.

AVERAGE REALIZATIONS AND PRICES

		1994	1993	1992	1991	1990
(dollars)						
(a barrel)	Conventional crude-oil realizations (1)	19.46	19.58	21.31	21.15	25.12
(a thousand cubic feet)	Natural-gas realizations (1)	1.97	1.76	1.45	1.38	1.55
(a barrel)	Par crude-oil price at Edmonton	22.30	21.90	23.77	23.42	27.64
(Bow River, a barrel)	Heavy crude-oil price at Hardisty	18.18	17.14	18.64	15.41	21.51

(1) These exclude all transportation costs.

Included in that amount were exploration expenditures of \$65 million, compared with \$51 million in 1993 (1992 – \$52 million). Imperial's exploration strategy remains focused on finding large reserves of natural gas that can be brought to market quickly and at low cost.

In 1994, the company acquired interests in 74,000 net hectares of exploration land, principally in the Foothills and northwestern regions of Alberta and in northeastern British Columbia. That represented a substantial increase from the 40,000 net hectares acquired in 1993. Acquisition of seismic data also increased significantly in 1994 to 1,532 kilometres from 586 kilometres in 1993.

None of the three exploration wells begun in 1994 was successful.

Other major expenditures were for drilling of 376 gross development wells to improve production from core properties. That program was focused on gas development in southeastern Alberta and in the Deep Basin area of northwestern Alberta. The shallow-gas drilling program in the Medicine Hat, Cessford, Princess and Verger fields of southeastern Alberta resulted in 204 successful gas wells, adding 16 million cubic feet a day of initial production. In the Deep Basin, 22 gross wells contributed 12 million cubic feet a day of initial production.

Capital expenditures to grow

Planned capital and exploration expenditures for 1995 are \$400 million. Major elements of the program will include drilling at Cold Lake

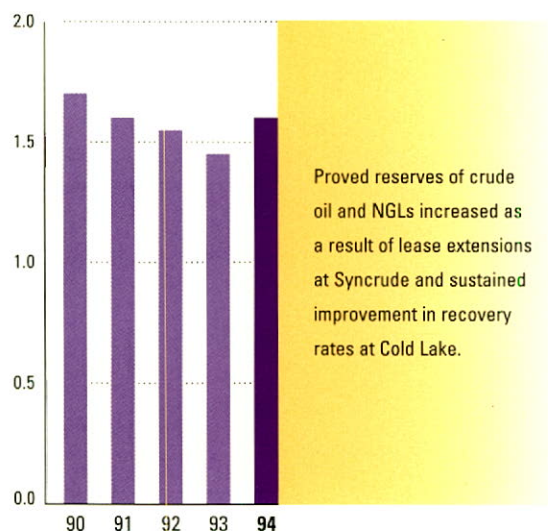
for the next two phases of the project and for maintaining productivity in the existing phases. Exploration activity will also increase further. Development drilling will continue to be oriented toward gas development.

Reserves up substantially

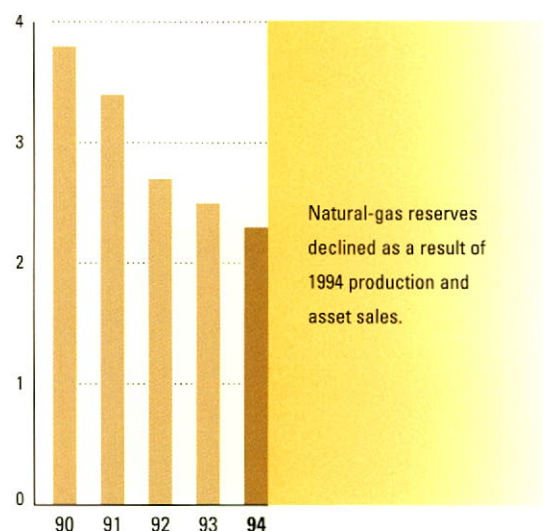
One of the highlights of the year's activities in natural resources was a substantial increase in Imperial's net proved reserves of crude oil and natural-gas liquids. Additions to proved reserves totaled 259 million barrels, more than 280 percent of 1994 production of 91 million barrels. That represented the largest reserve addition since the company's acquisition of Texaco in 1989. Proved reserves increased to 1,616 million barrels from 1,449 million barrels the preceding year (1992 – 1,548 million barrels).

The increase resulted in part from the extension of Syncrude's production lease to the year 2025 and revisions to estimates of Syncrude's net reserves. Imperial's share of the increase was 151 million barrels. A sustained improvement in bitumen recovery rates at Cold Lake added a further 91 million barrels, reflecting improved technology and greater production experience that have yielded better operating performance. This result confirms the soundness of the company's long-standing commitment to research and development at Cold Lake.

Natural gas reserves declined to 2.3 trillion cubic feet in 1994 from 2.5 trillion cubic feet in 1993 (1992 – 2.65 trillion cubic feet), mainly because of production and property sales during the year.

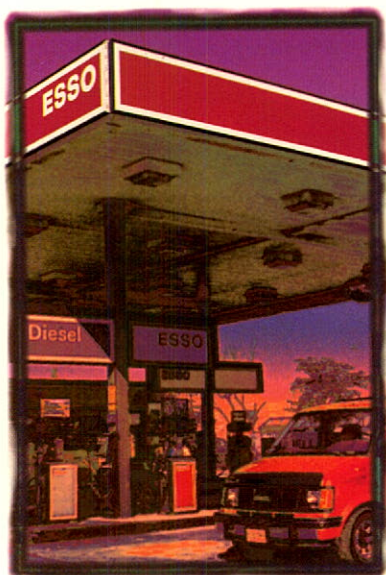


Crude oil and NGLs – net proved reserves
(billions of barrels)



Natural gas – net proved reserves
(trillions of cubic feet)

PETROLEUM PRODUCTS



Net earnings from petroleum products were \$212 million in 1994, down from \$238 million in 1993 (1992 – \$94 million).

This is only the third time in the last 10 years that the company's petroleum-product earnings have exceeded \$200 million.

There were no unusual items in 1994. Results in 1993 included a \$54-million charge for the pending closure of the company's loco refinery (1992 – negative \$5 million).

Earnings excluding unusual items were \$212 million in 1994, compared with \$292 million in 1993 (1992 – \$99 million).

The reduction was due mainly to increased costs associated with an unusually high level of

planned refinery maintenance and the closing of retail service stations. Margins on sales of petroleum products were also lower throughout the industry.

Return on capital employed declined slightly to 7.1 percent in 1994, but was still twice as high as in the early 1990s.

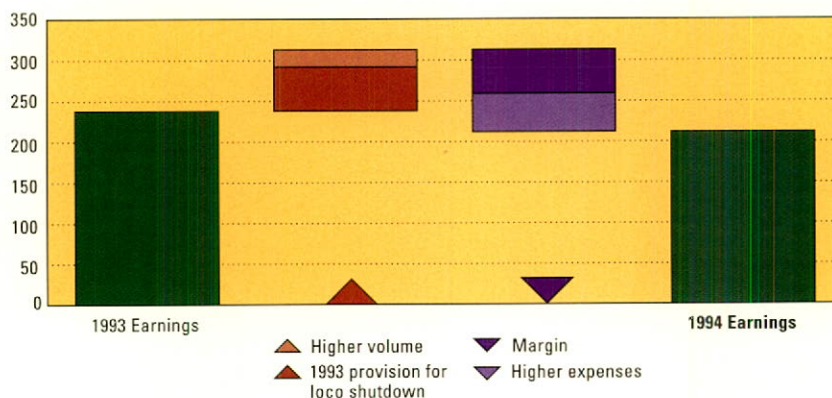
Revenues were \$7.6 billion, up by about three percent from \$7.4 billion the previous year (1992 – \$7.7 billion). The increase resulted from higher sales volumes and a higher-value mix of sales.

Sales volumes increase

Sales volumes increased for the first year since 1989, growing by about one percent to 72 million litres a day from 71 million litres the previous year (1992 – 73 million). That compared with total growth of about three percent in Canadian consumption of petroleum products, as the company continued to shed low-margin sales.

Petroleum products earnings analysis

(millions of dollars)



Higher expenses related to planned refinery maintenance and lower margins throughout the petroleum industry were the main reasons for a reduction in petroleum-product earnings.

Sales volumes increased for the first time since 1989 and the company again sold an increased proportion of higher-value products.

In upgrading its sales mix, Imperial sold about five percent more higher-value Esso-branded products than in 1993, while reducing sales of lower-value unbranded products by about six percent from the previous year.

Gasoline sales through Esso-branded outlets increased by more than three percent. Imperial continues to be the leading supplier of branded gasoline to the Canadian market.

The company undertook a number of initiatives to maintain its leading retail position. About 100 "Tiger Express" sites were opened at prime locations during the year. This new retail offering combines, among other features, a convenience store, a banking machine and a fast-food outlet.

New products introduced

New-product introductions included a higher-octane version of Esso Supreme gasoline, a cleaner burning low-sulphur diesel fuel and a new line of ultra-premium synthetic engine oils.

The company also initiated a new testing system that guarantees a consistent level of high-quality products at every Esso location.

HIGHLIGHTS

A program to improve refining margins by one cent a litre has reached the halfway point with the completion of projects at Nanticoke and other refineries.

New-product introductions included a higher-octane version of Esso Supreme gasoline, low-sulphur diesel fuel and a new line of ultra-premium synthetic engine oils.

Sales of heating, diesel and jet fuels increased by about five percent, as the company's improved cost structure enabled it to participate profitably in growing industrial, wholesale and rural markets.

Maintenance costs increased

Operating costs increased by about three percent in 1994. That was mainly due to an unusually high level of planned maintenance at most of the company's refinery "conversion" units – such as catalytic crackers – that convert the heavier portions of crude oil into lighter products.

Other reasons for the increased costs included the continuing closure of retail

PETROLEUM PRODUCTS

		1994	1993	1992	1991	1990
Financial statistics	Earnings	212	238	94	123	(42)
(millions of dollars)	Revenues	7 572	7 376	7 666	8 169	9 864
	Capital expenditures					
	Marketing	93	82	52	64	77
	Refining and distribution	133	71	59	91	119
	Total capital expenditures	226	153	111	155	196
(at December 31)	Capital employed	2 920	3 027	3 358	3 765	4 037
(percent)	Return on average capital employed	7.1	7.5	2.6	3.2	(1.0)

PETROLEUM PRODUCTS

Sales volumes (1, 2) (millions of litres a day)

	1994	1993	1992	1991	1990
Gasolines	31.2	31.4	30.9	31.2	32.1
Heating, diesel and jet fuels	24.8	23.6	25.0	26.7	29.1
Heavy fuel oils	6.4	6.2	7.2	7.3	9.7
Liquefied petroleum gas, lube oils and other products	9.6	10.2	9.9	9.6	10.5
Total petroleum products	72.0	71.4	73.0	74.8	81.4
(percent) Total domestic sales of petroleum products	93.9	94.5	91.5	89.0	92.9

Refinery utilization (2) (millions of litres a day)

Total refinery throughput (3)	68.2	65.9	63.4	66.6	76.9
(at December 31) Refinery capacity	85.4	85.4	85.4	85.4	88.6
(percent) Utilization of total refinery capacity	80	77	74	78	87

(1) Excludes sales made under purchase and sale agreements with other companies (see page 32, revenues).

(2) Volumes a day are calculated by dividing total volumes for the year by the number of days in the year.

(3) Crude oil and feedstocks sent directly to atmospheric distillation units.

One thousand litres is approximately 6.3 barrels.

service stations and the sale of a greater proportion of high-value products.

Crude-oil and product-supply costs also increased by about six percent in 1994.

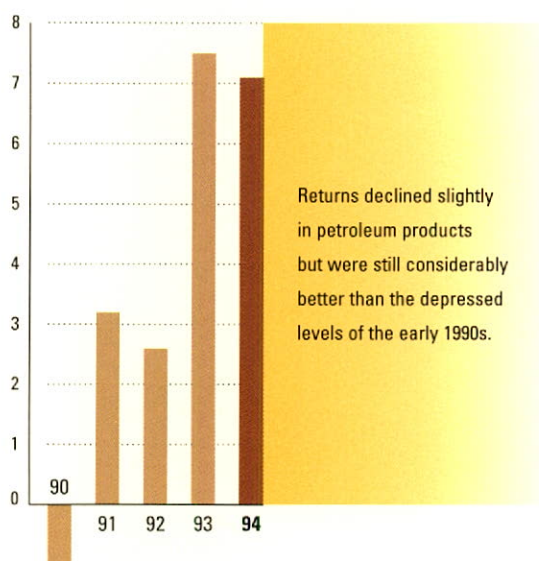
The increase resulted mainly from the need to purchase a larger quantity of products to

supply customers during the extensive refinery maintenance. The cost of the heavy, sour crude oil the company runs at its refineries was also higher.

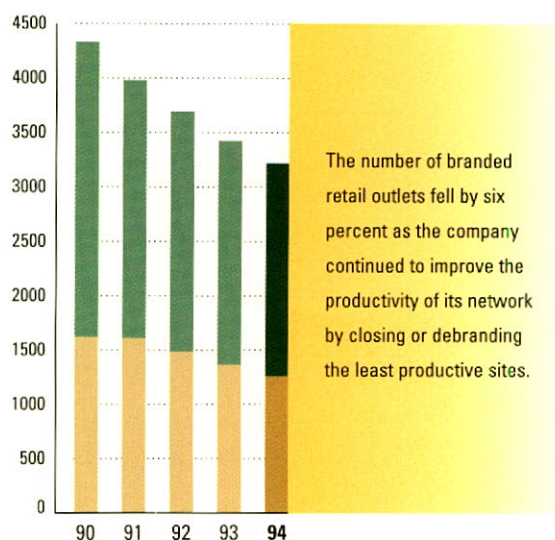
First quartile performance

Despite the unusually high level of maintenance costs in 1994, Imperial achieved first-quartile cost performance at two of the four major refineries that will remain in operation following the closure of loco in mid-1995. Capital and operating programs continue to support first-quartile levels of performance at all refineries.

The company also continued to improve the productivity of its retail network. In 1994, about 270 retail sites were closed or debranded, while 60 new sites were opened. The total number of retail outlets fell to 3,220 from 3,430 in 1993 (1992 – 3,700). Average throughput per station increased to 2.1 million litres a year from 1.9 million litres in 1993 (1992 – 1.7 million).



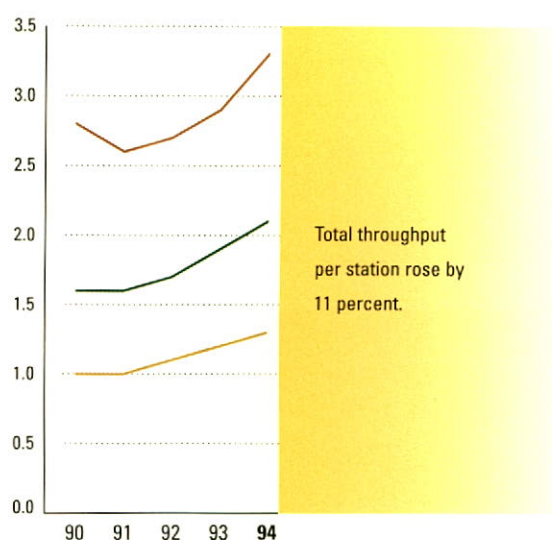
**Petroleum products –
return on average capital employed**
(percent)



Branded automotive retail outlets

(number)

Other
Company owned/leased



Branded service-station throughput

(millions of litres per site)

Company owned/leased
Total
Other

As well, the company continued to consolidate its network of bulk plants that serve farm, small-business and rural customers. About 50 plants were closed, leaving about 400 in operation. Productivity at the remaining sites improved by 10 percent during the year.

Two distribution terminals were also closed as part of the consolidation of facilities, bringing the total number at year-end to 36.

Increased spending on refineries

Capital expenditures increased substantially to \$226 million in 1994, from \$153 million in 1993 (1992 – \$111 million).

The increase included substantial investments at all refineries, except loco, for projects that were largely completed during the maintenance shutdowns. This spending is aimed at improving profitability on refining operations by one cent a litre.

At the Nanticoke refinery, the investments will reduce operating costs and improve margins by enabling the plant to generate a

portion of its own electricity and process lower-cost crude oils. Similar investments have been completed or are planned for the other refineries. Many of the completed projects have been performing above expectations.

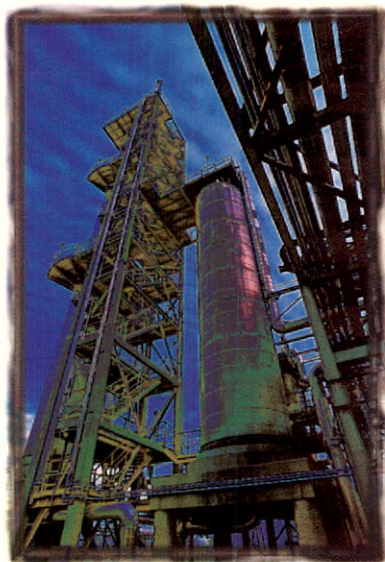
Service stations upgraded

Other major expenditures in 1994 were for upgrading of the service-station network – with particular emphasis on improving the competitiveness of high-volume sites in major markets. As well, improvements were made to terminal facilities on the West Coast in preparation for the closure of loco refinery.

The company also invested about \$12 million at Avitat aviation fuel-sale sites in Toronto, Montreal, Vancouver and Calgary.

Capital expenditures in 1995 are estimated to be about \$210 million. The money will be spent mainly to continue improving the profitability of refining operations and to refurbish prime retail outlets.

CHEMICALS



Nineteen ninety-four was a year of significant change and earnings growth for the company's chemicals segment.

Fertilizer operations sold

Early in 1994, Imperial sold its fertilizer manufacturing and distribution facilities for \$410 million.

The company remained in the retail sector of the fertilizer business, retaining a network of 210 Engro fertilizer agencies in Western Canada as part of its petroleum-product operations. Imperial continues to be the largest fertilizer retailer in the country.

Net earnings rise 50 percent

Net earnings from chemical operations rose by nearly 50 percent to \$52 million in 1994 from \$35 million in 1993 (1992 – \$14 million). The improvement reflects a three-fold increase in petrochemical earnings, which more than offset a \$4-million loss on fertilizer operations during the three-month period of 1994 before they were sold. That loss compares with a \$16-million contribution to earnings from fertilizer operations in 1993.

The divestment resulted in a charge to earnings of \$1 million in 1994. There were no unusual items in 1993 and 1992.

The growth in earnings, combined with a major reduction in capital employed in the chemicals segment resulting from the sale of the fertilizer assets, caused return on capital employed to more than double to 9.9 percent in 1994 from 4.6 percent in 1993 (1992 – 1.8 percent).

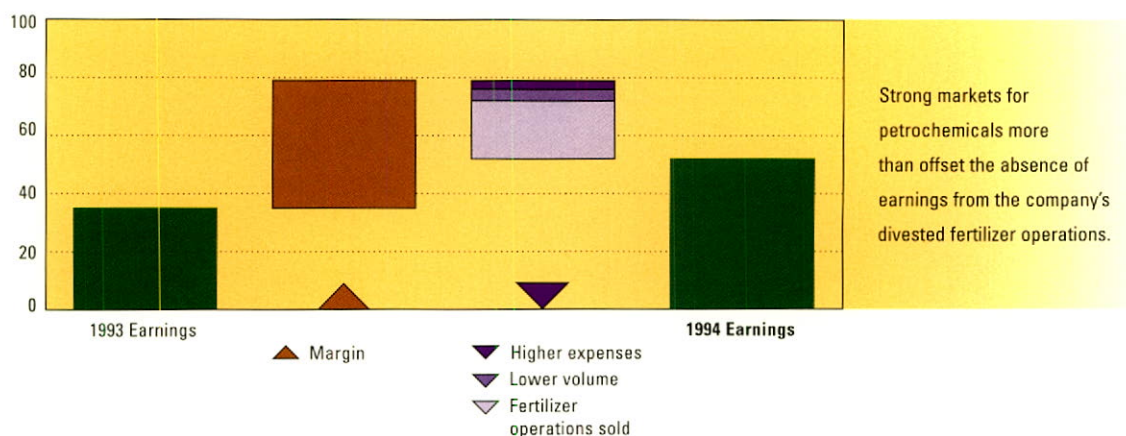
Chemical earnings rose by nearly 50 percent, reflecting a major increase in petrochemical profits.

HIGHLIGHTS

The company sold its fertilizer manufacturing plant and related storage facilities for \$410 million early in 1994, but retained a major position in the retail fertilizer industry through its network of 210 Engro agencies in Western Canada.

Chemicals earnings analysis

(millions of dollars)



Total revenues decline

Revenues from chemical operations fell to \$817 million in 1994 from \$971 million in 1993 (1992 — \$886 million). The main reason was the absence of fertilizer revenues during the final nine months of the year. Petrochemical revenues increased by about 20 percent, as strong markets for both polyethylene and polyvinyl chloride, particularly in the United States, resulted in substantial price increases for both products.

Average industry polyethylene prices were

\$980 a tonne in 1994, compared with \$815 a tonne in 1993 (1992 — \$740).

Total sales of petrochemicals were 2.8 thousand tonnes a day, down from 2.9 thousand tonnes in 1993 (1992 — 2.6 thousand). Sales of company-manufactured products increased by four percent primarily as a result of further expansion of polyethylene production in Sarnia and growth in performance products (performance products include additives for fuels and lubricants, oilfield chemicals and Varsol solvent, among

CHEMICALS

		1994	1993	1992	1991	1990
Financial statistics	Earnings	52	35	14	2	24
	(millions of dollars) Revenues	817	971	886	841	891
	Capital expenditures	24	24	31	23	38
	(at December 31) Capital employed	310	739	780	804	812
	(percent) Return on average capital employed	9.9	4.6	1.8	0.2	3.0
Sales volumes						
	(thousands of tonnes a day) Polymer and basic chemicals	1.8	1.9	1.9	1.6	1.5
	Performance products	1.0	1.0	0.9	0.9	0.9
	Total petrochemicals	2.8	2.9	2.8	2.5	2.4

One tonne is approximately 1.1 short tons or 0.98 long tons.

others). That increase was more than offset by reduced sales of low-value refinery byproducts such as carbon black feedstock that are marketed through the chemicals segment and a lower volume of products purchased for resale.

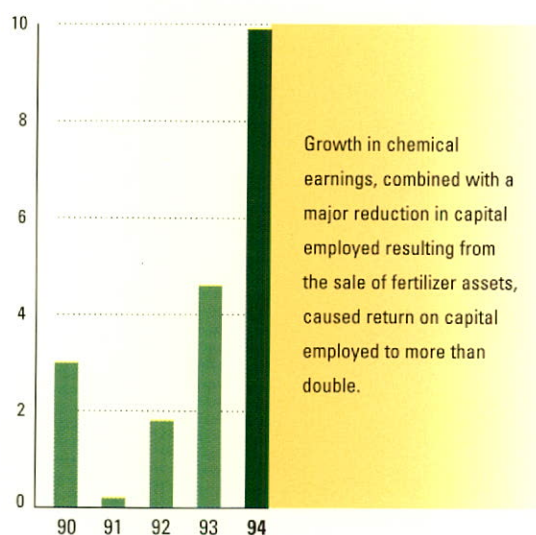
Operating costs fall

Chemical operating costs fell by about 30 percent from the previous year, largely because of the sale of the fertilizer operations. Petrochemical operating costs increased by three percent, mainly because of major maintenance work that is required every five years on units at the Sarnia chemical plant.

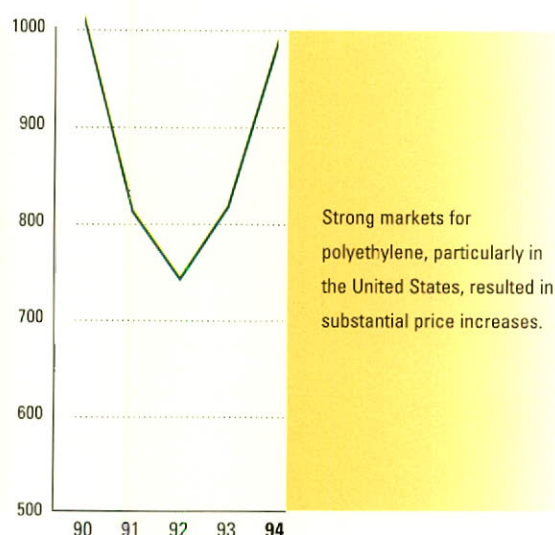
Polyethylene plant expanded

Capital expenditures in chemicals were \$24 million in 1994, unchanged from the previous year (1992 – \$31 million). Major investments in 1994 included facilities for producing a new solvent for herbicide applications and for further expansion of the polyethylene plant, increasing its output to 290 thousand tonnes a year. Since the end of 1992, the company's polyethylene-production capacity has increased by 20 percent.

Planned expenditures in 1995 are about \$20 million.



Chemicals – return on average capital employed
(percent)



Polyethylene – average industry prices
(dollars a tonne)

ENVIRONMENT, HEALTH AND SAFETY



Imperial remains highly committed to protecting the environment and safeguarding the health and safety of employees, contractors, customers and the public. During 1994, about \$81 million, or 15 percent of total capital spending, was allocated to environmental and safety-related projects.

Further progress was made in 1994 in implementing the company's "operations integrity" management framework. This framework is aimed at eliminating incidents that could endanger people, property or the environment in all aspects of the business. Assessments undertaken during the year indicated improved compliance with requirements.

Safety performance among best

Imperial's overall safety performance remained among the best in Canadian industry, as the rate of safety-related incidents involving employees and contractors continued to improve. The Sarnia chemical plant and the Strathcona refinery marked two million and

three million work hours, respectively, without a lost-time injury to employees.

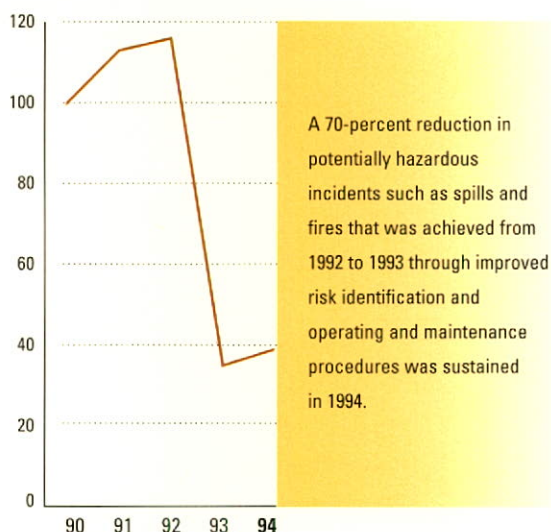
Environmental compliance incidents, in which substance releases temporarily exceeded government guidelines, continued to decrease. This performance reflects a focused program to eliminate "systemic" or recurring incidents at all operating facilities. Also in the environmental area, the Dartmouth and Sarnia refineries, the Sarnia chemical plant and the company's resources



Employee and contractor safety performance

(total recordable incidents per 200,000 hours worked)

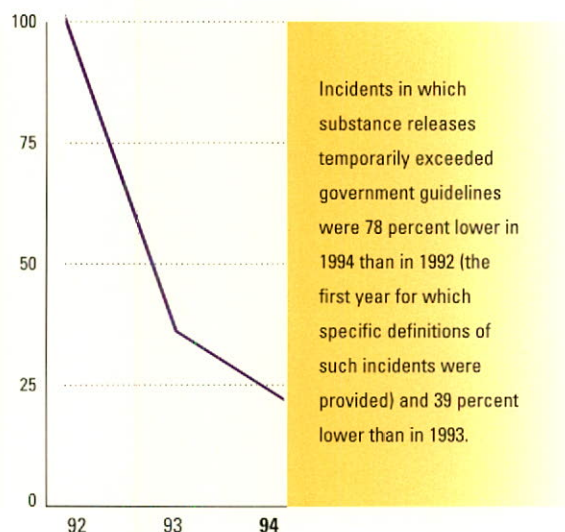
■ Employees
■ Contractors



A 70-percent reduction in potentially hazardous incidents such as spills and fires that was achieved from 1992 to 1993 through improved risk identification and operating and maintenance procedures was sustained in 1994.

Hazardous incidents

(index: 1990 = 100)



Incidents in which substance releases temporarily exceeded government guidelines were 78 percent lower in 1994 than in 1992 (the first year for which specific definitions of such incidents were provided) and 39 percent lower than in 1993.

Environmental compliance incidents

(index: 1992 = 100)

division all received awards or recognition for their environmental performance.

To assess and strengthen the company's capability to respond to incidents such as spills, fires and substance releases, five major emergency simulations were completed in 1994.

Imperial played a leading role in establishing the Canadian Marine Response Management Corporation, which will maintain three certified response organizations across the country. The company is contributing \$18 million of a total capital cost of \$65 million. This initiative will enhance the petroleum industry's ability to respond to oil and product spills, reflecting new regulations and increased government and public expectations.

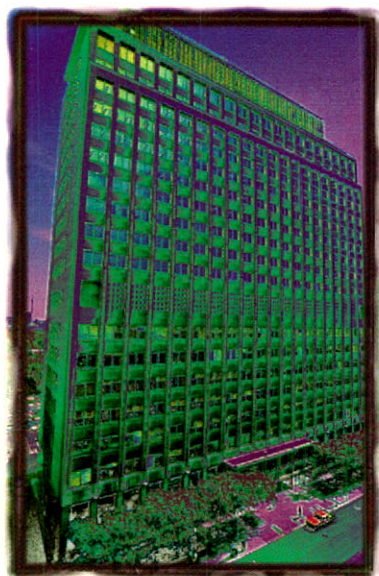
Under Environment Canada's National Pollutant Release Inventory program, Imperial reported on emissions of 40 substances used in or produced by its operations, and was able to

use those data to identify opportunities to reduce future emissions. The Sarnia chemical plant also participated in a voluntary report on emissions by the Canadian Chemical Producers' Association. These reports confirmed that about 70 percent of emissions come from very small leaks in pipe connections, pumps and valves. In response, an upgraded leak-detection and repair program was introduced to facilitate reduction opportunities and to improve the accuracy of future emissions inventories.

Generated waste declines

Waste generated from Imperial's operating facilities continued to decline, and a number of sites received awards for innovative solutions to waste-management problems. Examples include a process for recycling spent catalyst as a base material for fertilizer at the Dartmouth refinery and a project that recycles 86 percent of waste from an engine-oil additive manufacturing unit at the Sarnia chemical plant.

FINANCIAL REVIEW



Imperial continued to use its strong financial position to enhance shareholder value in 1994.

Dividend yield totals 10 percent

Regular and special dividend payments were \$4.80 a share (\$1.80 in regular dividends plus a special dividend of \$3.00 a share paid on June 1, 1994) or \$930 million for the year, compared with \$1.80 a share or \$349 million in 1993 (1992 – \$1.80 a share or \$349 million).

Dividend payments in 1994 represented a before-tax yield of more than 10 percent, based on the year-end stock price of \$46 ¹/₄.

Cash position remains strong

Despite that large payment, the company's balance of cash and marketable securities was \$1,268 million at the end of 1994. That compares to \$1,479 million at year-end 1993 (1992 – \$1,022 million).

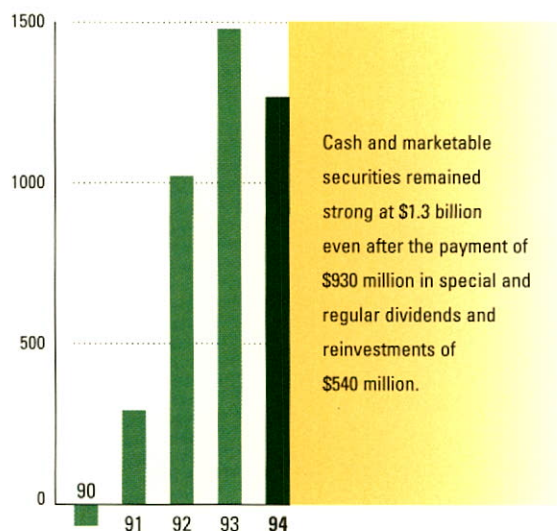
Cash flow from earnings was \$1,067 million in 1994, compared with \$1,166 million in 1993 (1992 – \$1,148 million). The decrease in the year was partly due to increased cash taxes.

Cash flow from operating activities fell to \$783 million from \$1,438 million the

previous year (1992 – \$1,436 million), as working capital requirements increased after four years of substantial reduction. A major factor was a large final installment payment for 1993 income taxes made during the first quarter of 1994.

Accounts receivable increased, reflecting higher prices for products at the end of 1994, compared with 1993. While total inventories declined because of the divestment of the company's fertilizer plant and related distribution terminals, inventories of petroleum products increased slightly.

Capital and exploration expenditures were \$540 million in 1994, essentially



Cash and marketable securities
(millions of dollars)

FINANCIAL SUMMARY

Financial percentages and ratios (1)

	1994	1993	1992
Total debt as a percentage of capital	29.2	27.1	28.9
Interest coverage ratios			
Earnings basis	5.7	5.3	4.0
Cash-flow basis	11.5	13.6	12.3

(1) See page 33 for definition of these terms.

unchanged from \$538 million in 1993 (1992 – \$467 million).

Capital expenditures are expected to rise to about \$650 million in 1995. That amount will be financed entirely from internally generated funds.

Imperial continued its long-standing policy of only using financial derivatives to reduce specific risk exposures. The company uses commodity futures contracts and currency

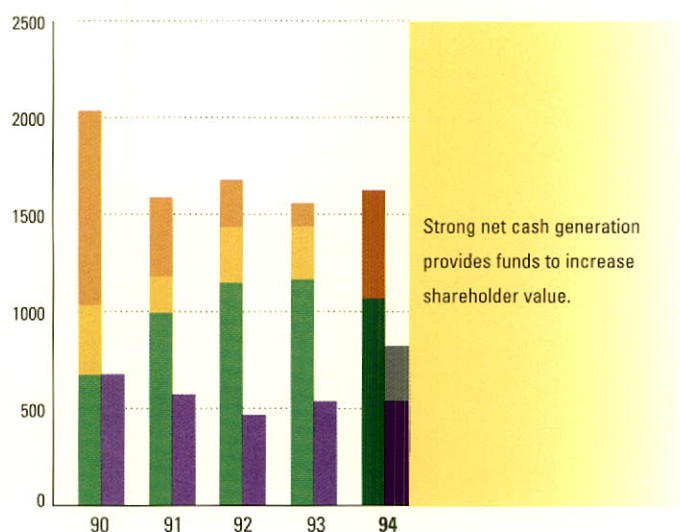
forwards to secure a known sales margin on products it holds in inventory or eliminate the possibility of a major loss (which also limits the potential for a major gain) on temporary inventory fluctuations, such as large cargos of crude oil that it owns but may take weeks or months to process. Interest and currency swap transactions are periodically used to manage, within limits, the interest-rate or currency exposure of the corporation's debt.

Conservative debt level

Total debt including financial guarantees represented about 29 percent of the company's capital structure at year-end, compared with 27 percent in 1993 (1992 – 29 percent). That is an appropriately conservative level of debt, Imperial believes, given the demonstrated volatility of the petroleum business.

The company's debt-related interest costs rose to \$139 million in 1994 from \$132 million the previous year (1992 – \$150 million). The reason was higher interest rates reflecting general financial trends during the year. The average interest rate on the company's debt rose to 5.9 percent from 5.3 percent the previous year (1992 – 6.0 percent).

Imperial's interest-coverage ratios remained strong. On an earnings basis, coverage was 5.7 times in 1994, compared with 5.3 times in 1993 (1992 – 4.0 times). On a cash-flow basis, coverage was 11.5 times, compared with 13.6 times the previous year (1992 – 12.3 times).



Cash flows before financing activities

(millions of dollars)



MANAGEMENT REPORT

The accompanying consolidated financial statements and all information in this annual report are the responsibility of management. The financial statements have been prepared by management in accordance with generally accepted Canadian accounting principles and include certain estimates that reflect management's best judgments. Financial information contained throughout this annual report is consistent with these financial statements.

Management has developed and maintains a system of internal control that provides reasonable assurance that all transactions are accurately recorded, that the financial statements realistically report the company's operating and financial results, and that the company's assets are safeguarded. The company's internal audit department reviews and evaluates the adequacy of and compliance with the company's internal controls. As well, it is the policy of the company to maintain the highest standard of ethics in all its activities.

Imperial's board of directors has approved the information contained in the financial statements. The board fulfills its responsibility regarding the financial statements mainly through its audit committee, details of which are provided on page 46.

Price Waterhouse, an independent firm of chartered accountants, was appointed by a vote of shareholders at the company's last annual meeting to examine the consolidated financial statements and provide an independent professional opinion.



R.B. Peterson



D.J. Cacchio
February 28, 1995

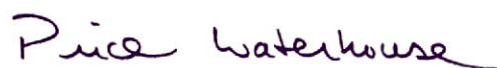
AUDITORS' REPORT

To the Shareholders of Imperial Oil Limited

We have audited the consolidated statements of earnings and of cash flows of Imperial Oil Limited for each of the three years in the period ended December 31, 1994, and the consolidated balance sheets as at December 31, 1994, and 1993. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the company for each of the three years in the period ended December 31, 1994, and its financial position as at December 31, 1994, and 1993, in accordance with generally accepted accounting principles in Canada.



Chartered Accountants
1 First Canadian Place
Toronto, Ontario
February 28, 1995

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF EARNINGS

millions of dollars	For the years ended December 31	1994	1993	1992	1991	1990
Revenues	Operating revenues	8 911	8 795	8 972	9 440	11 231
	Interest and investment income	100	108	175	62	72
	Total revenues	9 011	8 903	9 147	9 502	11 303
Expenses	Exploration	46	52	70	89	94
	Purchases of crude oil and products	3 504	3 325	3 465	3 597	4 205
	Operating	2 784	2 839	3 015	3 497	3 527
	Commodity taxes	1 019	986	983	966	1 631
	Depreciation and depletion	763	834	894	833	884
	Financing costs (11)	172	177	166	216	316
	Total expenses	8 288	8 213	8 593	9 198	10 657
Unusual items (2)		(70)	(122)	(101)	(31)	(210)
Earnings	Before income taxes	653	568	453	273	436
Income taxes (7)		294	289	258	111	180
Net earnings		359	279	195	162	256
Per-share information						
(dollars)	Net earnings	1.85	1.44	1.01	0.84	1.34
	Dividends	4.80	1.80	1.80	1.80	1.80

The summary of significant accounting policies, the glossary of terms and the notes, found on pages 31 through 40, are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

inflow (outflow) millions of dollars	For the years ended December 31	1994	1993	1992	1991	1990
Operating activities	Net earnings	359	279	195	162	256
	Exploration expenses (a)	46	52	70	89	94
	Depreciation and depletion	763	834	894	833	884
	(Gain)/loss from divestments	23	27	101	(94)	(376)
	Asset writedowns (2)	—	55	—	—	236
	Deferred income taxes and other	(124)	(81)	(112)	3	(421)
	Cash flow provided from earnings (b)	1 067	1 166	1 148	993	673
	Receivables	(120)	126	57	400	(401)
	Inventories and prepaids	(45)	77	174	208	(68)
	Liabilities	(119)	69	57	(421)	830
	Change in operating assets and liabilities (c)	(284)	272	288	187	361
	Cash provided from operating activities	783	1 438	1 436	1 180	1 034
Investing activities	Capital and exploration expenditures (a)	(540)	(538)	(467)	(574)	(678)
	Proceeds from sales of property, plant and equipment, and other long-term assets (c)	559	122	245	410	1 003
	Marketable securities – net	14	(117)	(750)	(5)	—
	Cash provided from (used in) investing activities	33	(533)	(972)	(169)	325
Cash flow before financing activities		816	905	464	1 011	1 359
Financing activities	Long-term debt issued	—	—	—	228	—
	Repayment of long-term debt	(82)	(216)	(78)	(410)	(1 278)
	Short-term debt – net	—	—	(58)	(241)	176
	Common shares issued	—	—	—	111	119
	Dividends paid	(930)	(349)	(349)	(347)	(342)
	Cash (used in) financing activities	(1 012)	(565)	(485)	(659)	(1 325)
Cash	Increase (decrease)	(196)	340	(21)	352	34
	At beginning of year	605	265	286	(66)	(100)
	At end of year (d)	409	605	265	286	(66)

(a) Exploration expenses, deducted in arriving at net earnings, are reclassified and included in investing activities in the consolidated statement of cash flows.

(b) Includes dividends received from equity investments of \$11 million (1993 – \$9 million; 1992 – \$13 million).

(c) Proceeds from operating assets and liabilities that were sold with the fertilizer assets (see note 2), are reclassified and included in proceeds from sales of property, plant and equipment.

(d) Total cash and marketable securities at December 31, 1994, were \$1,268 million (1993 – \$1,479 million; 1992 – \$1,022 million).

CONSOLIDATED BALANCE SHEET

millions of dollars	As at December 31	1994	1993	1992	1991	1990
Assets	Current assets					
	Cash	409	605	265	286	—
	Marketable securities at cost (3)	859	874	757	7	2
	Accounts receivable	1 045	954	1 065	1 095	1 454
	Inventories of crude oil and products (14)	384	402	468	604	801
	Materials, supplies and prepaid expenses	100	129	140	178	189
	Total current assets	2 797	2 964	2 695	2 170	2 446
	Investments and other long-term assets	264	152	159	204	245
	Property, plant and equipment (1)	8 538	9 389	9 965	10 760	11 378
	Goodwill	329	356	373	400	432
Total		11 928	12 861	13 192	13 534	14 501
Liabilities	Current liabilities					
	Outstanding cheques, less cash	—	—	—	—	66
	Short-term debt	—	—	—	58	299
	Accounts payable and accrued liabilities (13)	1 297	1 222	1 373	1 514	1 698
	Income taxes payable	284	436	247	110	421
	Total current liabilities	1 581	1 658	1 620	1 682	2 484
	Long-term debt (4)	1 977	2 030	2 222	2 356	2 563
	Other long-term obligations (5)	1 148	1 149	1 137	1 007	904
	Commitments and contingent liabilities (8)					
	Total liabilities	4 706	4 837	4 979	5 045	5 951
Deferred income taxes		1 227	1 458	1 577	1 699	1 685
Shareholders' equity	Common shares (10)	2 977	2 977	2 977	2 977	2 866
	Net earnings retained and used in the business					
	At beginning of year	3 589	3 659	3 813	3 999	4 087
	Net earnings for the year	359	279	195	162	256
	Dividends	(930)	(349)	(349)	(348)	(344)
	At end of year	3 018	3 589	3 659	3 813	3 999
	Total shareholders' equity	5 995	6 566	6 636	6 790	6 865
Total		11 928	12 861	13 192	13 534	14 501

Approved by the directors



Chairman, president and
chief executive officer



Senior vice-president,
finance and administration

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of Imperial Oil Limited and its subsidiaries. Intercompany accounts and transactions are eliminated. Significant subsidiaries included in the consolidated financial statements are:

- Imperial Oil Resources Limited
- Imperial Oil Resources N.W.T. Limited
- Imperial Oil Resources Ventures Limited
- McColl-Frontenac Petroleum Inc.

A significant portion of the company's activities in natural resources is conducted jointly with other companies. The accounts reflect the company's proportionate interest in such activities.

Inventories

Inventories are recorded at the lower of cost or net realizable value. The cost of crude oil and products is determined primarily using the LIFO (last-in, first-out) method. Costs include purchase costs and other applicable operating expenses. Selling and general administrative expenses are excluded.

Investments

The principal investments in companies other than subsidiaries are accounted for using the equity method. These represent interests in nonpublicly traded crude-oil and product pipeline companies. They are recorded at the original cost of the investment plus Imperial's share of earnings since the investment was made, less dividends received. Imperial's share of the after-tax earnings of these companies is included in "interest and investment income" in the consolidated statement of earnings. Other investments are recorded at cost. Dividends from other investments are recorded as income.

Property, plant and equipment

Property, plant and equipment are recorded at cost.

The company follows the successful-efforts method of accounting for its exploration and development activities. Under this method, costs of exploration acreage are capitalized and amortized over the period of exploration or until a discovery is made. Costs of exploration wells are capitalized until their success can be determined. If the well is successful, the costs remain capitalized; otherwise they are expensed. Capitalized exploration costs are reevaluated annually. All other exploration costs are expensed as incurred. Development costs, including the cost of natural gas and natural-gas liquids used as injectants in enhanced (tertiary) oil-recovery projects, are capitalized.

Maintenance and repair costs are expensed as incurred. Improvements that increase or prolong the service life or capacity of an asset are capitalized.

Investment tax credits and other similar grants are treated as a reduction of the capitalized cost of the asset to which they apply.

Depreciation and depletion (the allocation of the cost of assets to expense over the period of their useful lives) are calculated using the unit-of-production method for producing properties. Depreciation of other plant and equipment is calculated using the straight-line method, based on the estimated service life of the asset. In general, refineries are depreciated over 25 years; other major assets, including chemical plants and service stations, are depreciated over 20 years.

Gains or losses on assets sold or otherwise disposed of are included in the consolidated statement of earnings.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill is charged to earnings on a straight-line basis over the period of expected continuing value, to a maximum of 20 years. The amortization of goodwill is included in depreciation and depletion expense.

Site-restoration costs

Provision for site-restoration costs (net of any expected recoveries) is made if they can be reasonably determined. This provision is based on engineering estimates of costs, taking into account the anticipated method and extent of remediation consistent with legal requirements, industry practices, current technology and the possible use of the site. For natural-resource assets, accruals are made over the useful life of the asset using the unit-of-production method. For other assets, a provision is made at the time management approves the sale or closure of a facility.

Foreign-currency translation

Monetary assets and liabilities receivable or payable in foreign currencies have been translated at the rates of exchange prevailing on December 31. Unrealized exchange gains and losses arising from the translation of long-term debt are deferred and amortized over the remaining term of the debt.

Financial instruments

Financial instruments are recorded at historical cost, and unless otherwise indicated, their fair values approximate the recorded amounts.

The fair values of cash, marketable securities, accounts receivable and current liabilities approximate recorded amounts because of the short period to receipt or payment of cash. The fair value of the company's long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the company for debt of the same duration to maturity. The fair values of other financial instruments held by the company are estimated

primarily by discounting future cash flows using current rates for similar financial instruments under similar credit risk and maturity conditions.

Revenues

Certain purchases and sales of crude oil and products are undertaken to improve the company's operating efficiency. Some of the company's crude-oil production is sold and other types of crude oil are purchased to optimize refining operations. Product purchase and sale agreements with other companies help the company to meet its supply requirements while reducing transportation and other costs. Such sales and purchases are offset in the consolidated statement of earnings.

Consumer taxes and crown royalties

Taxes levied on the consumer and collected by the company are excluded from the consolidated statement of earnings. These are primarily provincial taxes on motor fuels and the federal goods and services tax. Crown royalties are also excluded.

Interest costs

Interest costs are expensed as incurred and included as financing costs in the statement of earnings.

Accounting principles

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. *Form 10-K*, filed with the United States Securities and Exchange Commission, includes a description of the differences between the generally accepted accounting principles in Canada and those accepted in the United States as they apply to the company.

GLOSSARY OF TERMS

Capital employed is total assets less current liabilities, excluding short-term debt and the current portion of long-term debt.

Cash represents cash in the bank and cash equivalents, which are all highly liquid securities with a maturity of three months or less when purchased.

Debt represents amounts borrowed from external sources and capital leases. These amounts exclude unamortized foreign-exchange gains or losses on debentures and notes.

Deferred income taxes are the difference between income taxes deducted in calculating earnings in accordance with generally accepted accounting principles and taxes currently payable under income-tax legislation. They result from certain deductions from income being recognized in different periods for tax and accounting purposes. The largest source of deferred income taxes is depreciation and depletion, where deductions are made earlier for tax purposes than for accounting purposes. Deferred income taxes are not a liability under the law.

Marketable securities are securities of the governments of Canada and the provinces, banks and other corporations, with a maturity of longer than three months when purchased.

Net realizable value is the estimated selling price of an asset, less the estimated costs of preparing the asset for sale and of selling it.

Per-share information is calculated by dividing the respective nominal amounts by the average number of shares outstanding, weighted monthly.

FINANCIAL PERCENTAGES AND RATIOS

Results shown are for 1994

Total debt as a percentage of capital (page 26)

$$\frac{\text{debt (note 4) + guarantees to third parties (note 8b)}}{\text{debt + guarantees to third parties + shareholders' equity (page 30)}} = 29.2$$

Interest-coverage ratios (page 26)

Earnings basis

$$\frac{\text{net earnings (page 28) + debt-related interest expense (note 11) + income taxes (page 28)}}{\text{debt-related interest expense}} = 5.7$$

Cash-flow basis

$$\frac{\text{cash provided from operating activities (page 29) + income-tax payments (note 7) + debt-related interest expense}}{\text{debt-related interest expense}} = 11.5$$

Share price to earnings ratio (page 1)

$$\frac{\text{closing share price as at December 31 (page 44)}}{\text{net earnings per share (page 28)}} = 25.0$$

Share price to cash flow provided from earnings (page 1)

$$\frac{\text{closing share price as at December 31}}{\text{cash flow provided from earnings per share (page 1)}} = 8.4$$

Share price to cash provided from operating activities (page 1)

$$\frac{\text{closing share price as at December 31}}{\text{cash provided from operating activities per share (page 1)}} = 11.4$$

Return on average capital employed (page 1)

$$\frac{\text{net earnings + after-tax interest expense (interest expense at basic corporate tax rate, note 7)}}{\text{average capital employed (note 1)}} = 4.1$$

Return on average shareholders' equity (page 1)

$$\frac{\text{net earnings}}{\text{average shareholders' equity}} = 5.7$$

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Business segments

millions of dollars		Natural resources			Petroleum products		
		1994	1993	1992	1994	1993	1992
Revenues	External	854	795	735	7 313	7 184	7 504
	Intersegment sales	1 443	1 363	1 600	259	192	162
	Total revenues (a)	2 297	2 158	2 335	7 572	7 376	7 666
Expenses	Purchases of crude oil and products (a)	503	423	445	4 287	4 041	4 433
	Operating and other expenses (a)	873	920	916	2 691	2 623	2 777
	Depreciation and depletion (b)	508	540	560	202	200	243
	Total expenses	1 884	1 883	1 921	7 180	6 864	7 453
Unusual items	Loss from divestments	—	(27)	(96)	—	—	(5)
(note 2)	Work-force-reduction provision	(47)	—	—	—	—	—
	Loco refinery shutdown	—	—	—	—	(95)	—
	Total unusual items	(47)	(27)	(96)	—	(95)	(5)
Earnings before income taxes		366	248	318	392	417	208
Income taxes	Current	318	262	250	204	173	162
(note 7)	Deferred	(119)	(106)	(83)	(24)	6	(48)
	Total income taxes	199	156	167	180	179	114
Net earnings		167	92	151	212	238	94
Cash flow provided from earnings		616	616	802	404	513	289
Capital and exploration expenditures		271	353	243	226	153	111
Property, plant and equipment	Cost	9 294	9 437	9 673	4 361	4 436	4 554
	Accumulated depreciation and depletion	3 775	3 438	3 294	1 988	1 942	1 860
	Net property, plant and equipment	5 519	5 999	6 379	2 373	2 494	2 694
Total assets		5 924	6 260	6 693	4 027	3 972	4 399
Total capital employed		5 303	5 697	6 140	2 920	3 027	3 358

(a) Information is presented as though each segment were a separate business activity. Intersegment sales are made essentially at prevailing market prices. Consolidated figures exclude all intersegment transactions.

(b) Includes \$27 million of goodwill charged to earnings in 1994 (1993 – \$26 million; 1992 – \$32 million). The accumulated amortization of goodwill at December 31, 1994, is \$140 million (1993 – \$117 million; 1992 – \$111 million).

Chemicals			Corporate and other			Consolidated		
1994	1993	1992	1994	1993	1992	1994	1993	1992
759	827	747	85	97	161	9 011	8 903	9 147
58	144	139	12	21	23	—	—	—
817	971	886	97	118	184	9 011	8 903	9 147
455	528	475	—	—	—	3 504	3 325	3 465
245	328	324	243	236	253	4 021	4 054	4 234
30	60	65	23	34	26	763	834	894
730	916	864	266	270	279	8 288	8 213	8 593
(23)	—	—	—	—	—	(23)	(27)	(101)
—	—	—	—	—	—	(47)	—	—
—	—	—	—	—	—	—	(95)	—
(23)	—	—	—	—	—	(70)	(122)	(101)
64	55	22	(169)	(152)	(95)	653	568	453
115	42	25	(112)	(69)	(57)	525	408	380
(103)	(22)	(17)	15	3	26	(231)	(119)	(122)
12	20	8	(97)	(66)	(31)	294	289	258
52	35	14	(72)	(86)	(64)	359	279	195
77	78	66	(30)	(41)	(9)	1 067	1 166	1 148
24	24	31	19	8	82	540	538	467
579	1 213	1 217	575	528	500	14 809	15 614	15 944
300	629	601	208	216	224	6 271	6 225	5 979
279	584	616	367	312	276	8 538	9 389	9 965
416	853	880	1 561	1 776	1 220	11 928	12 861	13 192
310	739	780	1 814	1 740	1 346	10 347	11 203	11 624

The company operates its business in Canada, in the following industry segments:

Natural resources includes the exploration for and production of crude oil and natural gas.

Petroleum products consists of the refining of crude oil into petroleum products and the distribution and marketing of these products.

Chemicals consists of the manufacturing and marketing of various hydrocarbon-based chemicals and chemical products, including fertilizers prior to April 1994.

Corporate and other includes assets and liabilities that do not specifically relate to business segments – primarily cash, marketable securities, various investments and long-term debt. Net earnings in this category include income and gains from investments and financing costs.

2 Unusual items

The before-tax loss from unusual items was \$70 million in 1994 (1993 – \$122 million; 1992 – \$101 million). See note 1.

The after-tax impact of the unusual items was:

millions of dollars	1994	1993	1992
Loss from divestments (a)			
Natural resources	5	16	58
Petroleum products	–	–	5
Chemicals	1	–	–
Total loss from divestments after income taxes	6	16	63
Work-force-reduction provision (b)	31	–	–
Loco refinery shutdown (c)	–	54	–
Total loss from unusual items after income taxes	37	70	63

(a) The company has divested certain assets as part of its ongoing efforts to improve the profitability of its operations. In 1994, the sale of the company's fertilizer manufacturing assets and related distribution terminals for total proceeds of \$410 million resulted in a loss of \$1 million, after income-tax credits of \$22 million.

(b) The provision is mainly to cover the cost of work-force reductions of 500 people in natural resources in 1994 and 1995. It also includes the company's 25-percent share of work-force reductions at Syncrude Canada Limited. In 1994, work-force reductions involved 190 people; the cost of \$14 million, before tax, was charged against the provision.

(c) The company intends to permanently shut down refining operations at its Loco site, near Vancouver, in mid-1995. A provision was made for the writedown of the refinery assets and for dismantling, site restoration and employee-related costs resulting from the shutdown.

3 Marketable securities

millions of dollars	1994	1993
Government of Canada treasury bills	857	865
Banker's acceptance and other corporate securities	2	9
	859	874

The securities were purchased with the intent that they be held to maturity. The average yield on securities in 1994 was 5.5 percent (1993 – 5.6 percent).

4 Long-term debt

		1994	1993	
year of issue	maturity date	rate of interest	millions of dollars	
Sinking-fund debentures (a)				
1979	September 15, 2009			
	(1994 – \$30 million (U.S.);			
	1993 – \$30 million (U.S.))	9 ¾	41	39
1989	October 15, 2019			
	(1994 – \$222 million (U.S.);			
	1993 – \$222 million (U.S.))	8 ¾	312	294
Total sinking-fund debentures			353	333
Other debentures and notes (a)				
1983	January 3, 1997	5	24	24
1989	December 15, 1999 (b)	9 7/8	215	297
1989	September 1, 2004			
	(1994 – \$1,000 million (U.S.);			
	1993 – \$1,000 million			
	(U.S.))(c)	Variable	1 401	1 321
1991	August 20, 2001			
	(1994 – \$200 million (U.S.);			
	1993 – \$200 million (U.S.))	8.3	280	264
Total debentures and notes			2 273	2 239
Capital leases			2	2
			2 275	2 241
Unamortized foreign-exchange loss				
on debentures and notes			298	211
Total long-term debt (d) (e)			1 977	2 030

(a) No principal payments are due on sinking-fund debentures within the next five years; \$24 million of principal payments on other debentures and notes are due in 1997 and \$215 million are due in 1999.

(b) \$150 million of this debenture has both a U.S.-dollar currency swap and an interest-rate swap transaction matched with it – see note 6(c). The average effective interest rate on this \$150 million was 6.6 percent in 1994 (1993 – 5.4 percent).

(c) This debt bears interest based primarily on U.S. commercial paper interest rates and may be repaid in part or in full at any time before maturity without premium. The average effective rate for 1994 was 4.2 percent (1993 – 3.1 percent).

(d) At December 31, 1994, the company had \$644 million of uncommitted unused lines of credit available for short-term financing.

(e) The estimated fair value of the long-term debt at December 31, 1994, is \$2,295 million (1993 – \$2,358 million).

5 Other long-term obligations

millions of dollars	1994	1993
Employee retirement benefits (note 9)	579	602
Site restoration (a)	425	425
Other obligations	144	122
Total other long-term obligations	1 148	1 149

(a) Total site restoration also includes \$42 million in current liabilities (1993 – \$33 million).

6 Financial derivatives

Derivatives are only used to reduce specific risk exposures of the company and are not held for trading purposes. Derivatives with leveraged features are not used.

This policy is implemented as follows:

(a) Crude-oil and product derivatives

The impact of price fluctuations on purchases and sales of crude oil and products is mitigated by selling and buying energy derivatives, primarily futures contracts on the New York Mercantile Exchange (NYMEX) or the International Petroleum Exchange (IPE) in London. Derivative contracts are normally settled on a one-to-six month basis. Gains or losses on these contracts are recognized in earnings as a component of the related physical transaction.

At December 31, 1994, the company had \$16 million of contracts outstanding to offset purchase commitments on 735,000 barrels of crude oil and products (1993 – \$29 million offsetting 1.6 million barrels) and \$3 million of contracts outstanding to offset fixed-price sales commitments to customers on 133,000 barrels of crude oil and products (1993 – \$17 million offsetting 787,000 barrels). There was no gain or loss on these open contracts at December 31, 1994. At December 31, 1993, a \$1-million loss (1992 – \$1-million gain) on open contracts, based on the difference between contract and December 31st prices, was deferred so as to offset the gain (1992 – loss) on the physical transactions when the purchases and sales were completed. In 1994, losses of \$28 million were realized on closed energy derivatives to offset gains on physical positions (1993 – \$21-million gain; 1992 – \$3-million loss).

(b) Foreign-exchange forwards

The company enters into foreign-exchange forward contracts to offset the impact of exchange fluctuations on purchases and sales. These contracts are with banks of the highest credit standing and are normally for terms of less than 45 days. At December 31, 1994, \$51 million of foreign-exchange forwards were outstanding to offset exchange fluctuations on crude oil and products purchase commitments (1993 – \$46 million). In 1994, 1993 and 1992, gains and losses on foreign-exchange forwards were minimal, and were recorded as offsets to the losses and gains on the associated physical transactions.

(c) Interest and currency swap transactions

The company is a party to a currency and an interest-rate swap that are matched to \$150 million of the 9-7/8 percent (Canadian) debenture, effectively converting this to a \$126-million (U.S.) floating-interest-rate debt (see note 4b). The U.S.-dollar exposure created by the currency swap partially offsets the U.S.-dollar-based crude-oil component of revenues. The swaps are with counterparties of the highest credit standing.

Settlement of the swaps at December 31, 1994, would have resulted in a loss of \$37 million (Canadian) (1993 – \$5 million). A foreign-exchange loss of \$27 million on the currency swap (1993 – \$17 million) has been deferred and is being amortized as a financing cost over the remaining life of the debenture (see note 11). At December 31, 1994, the unamortized loss was \$21 million (1993 – \$15 million). A \$10-million decrease in the market value (1993 – \$12-million increase) of the interest-rate component of the swaps, based on bond yields for instruments with similar terms to maturity, is not recorded in the financial statements because it is the company's intent to hold the swaps until the maturity of the 9-7/8 percent debenture. In 1994, the effect of the amounts paid and received on the swaps was to reduce interest expense by \$3.4 million to achieve an average rate of 6.6 percent (1993 – \$6-million reduction to 5.4 percent; 1992 – \$2.7-million reduction to 8.0 percent).

7 Income taxes

millions of dollars	1994	1993	1992
Summary of income-tax calculations			
Earnings before income taxes	653	568	453
Deduct			
Earnings from			
equity investments	13	15	11
Adjusted earnings	640	553	442
Basic corporate-tax rate (percent)	44.6	44.7	44.5
Income taxes at basic rate	286	247	197
Increases (decreases)			
resulting from			
Nondeductible payments to			
governments	91	90	102
Resource allowance	(87)	(80)	(120)
Manufacturing and			
processing credit	(43)	(27)	(8)
Nondeductible depreciation			
and amortization	67	62	81
Other	(20)	(3)	6
Income-tax expense	294	289	258
Effective income-tax rate			
(percent)	45.9	52.3	58.4
Increases (decreases) in			
deferred income taxes			
from timing differences			
Depreciation	(194)	(90)	(64)
Pensions and severance			
payments	14	3	34
Successful drilling, injectants			
and land acquisitions	(27)	(49)	(83)
LIFO inventory valuation	(24)	42	–
Other	–	(25)	(9)
Deferred income-tax expense	(231)	(119)	(122)
Current income-tax expense	525	408	380

The operations of the company are complex, and related tax interpretations, regulations and legislation are continually changing. As a result, there are usually some tax matters in question. The company believes the provision made for income taxes is adequate.

Cash income-tax payments, after deducting investment tax credits, were \$676 million in 1994 (1993 – \$223 million; 1992 – \$253 million).

8 Commitments and contingent liabilities

At December 31, 1994, the company had commitments for noncancelable operating leases and other long-term agreements that require the following minimum future payments:

	Operating leases (a)	Other long-term agreements (b)
	millions of dollars	
1995	60	250
1996	49	249
1997	36	247
1998	28	241
1999	23	232
after 1999	92	695

(a) Total rental expense incurred for operating leases in 1994 was \$115 million (1993 – \$112 million; 1992 – \$118 million).

(b) Total payments under long-term agreements were \$295 million in 1994 (1993 – \$205 million; 1992 – \$213 million). As part of an agreement with Interprovincial Pipe Line (NW) Ltd. for the construction of a pipeline to the company's Norman Wells oil field, Imperial agreed to minimum pipeline charges to the year 2010, sufficient to service the debt associated with the pipeline. These amounts are included in the above table. The amount of that debt outstanding at December 31, 1994, was \$151 million.

In addition, the company has provided letters of credit totaling \$33 million and other guarantees totaling \$49 million.

As a condition of its 1989 acquisition of Texaco Canada, the company committed to the Government of Canada to supply agreed volumes of gasoline to independent marketers in Ontario and Quebec for periods of up to 10 years. The company is in compliance with these commitments.

The company's commitments in connection with financial derivatives are discussed in note 6. Other commitments for operating and capital needs, all arising in the normal course of business, do not materially affect the company's consolidated financial position.

The company provides in its financial statements for site-restoration costs (see accounting policy on page 32). Provision is not made with respect to those manufacturing, distribution and marketing facilities for which estimates of these future costs cannot be reasonably determined. These are primarily currently

operated sites. These costs (net of any expected recoveries) are not expected to have a material effect on the company's consolidated financial position.

Various lawsuits are pending against Imperial Oil Limited and its subsidiaries. The actual liability with respect to these lawsuits is not determinable, but management believes, based on the opinion of counsel, that any liability will not materially affect the company's consolidated financial position.

9 Employee retirement benefits

Retirement benefits, which cover almost all retired employees and their surviving spouses, include retirement-income and certain health-care and life-insurance benefits. Retirement-income benefits are company-paid and are based on years of service and final average earnings. They are met through funded registered retirement plans and through unfunded supplementary benefits that are paid directly to recipients. The company shares in the cost of health-care and life-insurance benefits.

The expense and obligations for both funded and unfunded benefits are determined in accordance with generally accepted accounting principles and actuarial procedures. The process for determining retirement-income expense and related obligations includes making certain long-term assumptions regarding the discount rate, return on plan assets and the rate of pay increases. For each of the last three years, these were assumed to be 8.5 percent, 8.5 percent and 5.0 percent, respectively.

The data below include the company's share of the Syncrude retirement-income benefits.

ANNUAL EXPENSE

millions of dollars	1994	1993	1992
Retirement-income expense before work-force-reduction provision	70	96	112
Other retirement-benefit expense	25	20	18
	95	116	130
Retirement-income expense portion of work-force-reduction provision (a)	9	—	—
Total expense	104	116	130

(a) This amount is part of the work-force-reduction provision shown in note 2.

OBLIGATIONS AT DECEMBER 31

millions of dollars	1994	1993
Actuarial present value of retirement-income obligations		
Benefits based on service to date and present pay levels		
Registered-plan benefits	1 816	1 785
Supplementary benefits	326	319
Total accumulated benefit obligation	2 142	2 104
Additional benefits related to projected pay increases	256	249
Total projected benefit obligation	2 398	2 353
Funded assets at market value (a)	1 881	1 979
Net obligations for retirement-income benefits	517	374
Obligation for other retirement benefits	221	227
Net obligations	738	601
The net obligations consist of		
Long-term liability (note 5)	579	602
Current liability	29	28
Unrecorded obligations/(assets) – net (b)	130	(29)
Total	738	601

(a) Assets of the retirement plans are held primarily in equity, fixed-income and money-market securities, and real estate. Company contributions to the retirement plans are based on independent actuarial valuations and are made in accordance with government regulations. These contributions amounted to \$89 million in 1994 (1993 – \$99 million).

(b) Unrecorded obligations/(assets) are amortized over the expected average remaining service of employees, which is currently 14 years (1993 – 14 years).

Additional information regarding retirement benefits follows:

millions of dollars	Obligations at December 31	Annual expense
As calculated using company's assumptions	2 619	95
Impact of one-percent change in		
Rate of return and discount rate	275	50
Pay increases	95	25

10 Common shares

number of shares	1994	1993	1992
Authorized	225 000 000	225 000 000	225 000 000
Issued at December 31	193 841 431	193 841 431	193 841 431

Exxon Corporation's ownership interest in Imperial Oil Limited at December 31, 1994, was 69.6 percent, unchanged from 1993 and 1992.

11 Financing costs

millions of dollars	1994	1993	1992
Interest expense			
Debt-related interest	139	132	150
Other interest	4	15	8
Total interest expense	143	147	158
Foreign-exchange			
expense on long-term debt (a)	29	30	8
Total financing costs	172	177	166

(a) See Foreign-currency translation, page 32.

Cash interest payments in 1994 were \$138 million (1993 – \$148 million; 1992 – \$167 million).

12 Research and development costs

Research and development costs in 1994 were \$77 million (1993 – \$82 million; 1992 – \$78 million) before investment tax credits earned on these expenditures of \$10 million (1993 – \$15 million; 1992 – \$11 million). The net costs are included in expenses, due to the uncertainty of future benefits.

13 Transactions with Exxon Corporation and affiliated companies (Exxon)

The amounts paid and received by the company on transactions with Exxon in 1994 were \$1,406 million and \$574 million, respectively (1993 – \$1,327 million and \$502 million; 1992 – \$1,215 million and \$419 million). The terms of the transactions were as favorable as they would have been with unrelated parties. The transactions primarily were the purchase and sale of crude oil, petroleum and chemical products. Transportation, technical and engineering services were also performed and received. Current amounts due to Exxon at December 31, 1994, were \$47 million (1993 – \$20 million; 1992 – \$64 million).

14 Inventories of crude oil and products

In 1994, net earnings included an after-tax loss of \$4 million (1993 – \$6-million gain; 1992 – \$25-million gain) attributable to the effect of changes in LIFO inventories. The replacement cost of inventories was estimated to exceed their LIFO carrying values at December 31, 1994, by \$451 million (1993 – \$345 million).

15 Net payments to governments

millions of dollars	1994	1993	1992
Current income taxes (note 7)	525	408	380
Commodity (fuel-excise) tax	1 019	986	983
Property taxes included in expenses	115	117	119
Payroll and other taxes included in expenses	41	44	48
Goods and services tax (GST)/Quebec sales tax (QST) collected	705	737	665
GST/QST input tax credits	(417)	(449)	(415)
Other consumer taxes collected on behalf of governments	1 380	1 310	1 288
Crown royalties	240	237	268
Total paid or payable to governments	3 608	3 390	3 336
Less investment tax credits and other receipts	14	15	35
Net payments to governments	3 594	3 375	3 301
Net payments to:			
Federal government	1 638	1 556	1 556
Provincial governments	1 841	1 702	1 626
Local governments	115	117	119
Net payments to governments	3 594	3 375	3 301

16 Reporting reclassifications

Certain figures for prior years have been reclassified in the financial statements to conform with the current year's presentation. There is no effect on earnings.

SUPPLEMENTAL OIL AND GAS INFORMATION

The information on pages 41 through 43 is provided in accordance with the United States' Statement of Financial Accounting Standards

(SFAS) No. 69 "Disclosure about Oil and Gas Producing Activities."

Additional information required by SFAS No. 69 is included in Form 10-K.

millions of dollars	Oil and gas			Syncrude			Total		
	1994	1993	1992	1994	1993	1992	1994	1993	1992
Results of operations									
Sales to customers	497	456	425	—	1	1	497	457	426
Intersegment sales	872	907	1 066	363	335	370	1 235	1 242	1 436
Total sales (1)	1 369	1 363	1 491	363	336	371	1 732	1 699	1 862
Production expenses	533	552	550	264	265	253	797	817	803
Exploration expenses	46	52	70	—	—	—	46	52	70
Depreciation and depletion (2)	469	528	611	39	38	34	508	566	645
Income taxes	180	149	151	24	12	24	204	161	175
Results of operations	141	82	109	36	21	60	177	103	169

millions of dollars	Oil and gas			Syncrude			Total		
	1994	1993	1992	1994	1993	1992	1994	1993	1992
Capital and exploration expenditures									
Property costs (3)									
Proved	15	12	8	—	—	—	15	12	8
Unproved	19	11	5	—	—	—	19	11	5
Exploration costs	46	40	47	—	—	—	46	40	47
Development costs	155	268	162	36	22	21	191	290	183
Total capital and exploration expenditures	235	331	222	36	22	21	271	353	243

millions of dollars	Oil and gas		Syncrude		Total	
	1994	1993	1994	1993	1994	1993
Property, plant and equipment						
Property costs (3)						
Proved	2 806	2 966	—	—	2 806	2 966
Unproved	151	198	—	—	151	198
Producing assets	5 064	4 995	932	890	5 996	5 885
Support facilities	228	106	101	99	329	205
Incomplete construction	9	171	3	12	12	183
Total cost	8 258	8 436	1 036	1 001	9 294	9 437
Accumulated depreciation and depletion	3 465	3 166	310	272	3 775	3 438
Net property, plant and equipment	4 793	5 270	726	729	5 519	5 999

(1) Sales of crude oil to consolidated affiliates are at market value, using posted field prices. Sales of natural-gas liquids to consolidated affiliates are at prices estimated to be obtainable in a competitive, arm's-length transaction. Total sales exclude the sale of natural gas and natural-gas liquids purchased for resale.

(2) Net of losses from divestments (1994 – nil; 1993 – \$27 million; 1992 – \$96 million).

(3) "Property costs" are payments for rights to explore for petroleum and natural gas, and for purchased reserves (acquired tangible and intangible assets such as gas plants, production facilities and producing-well costs are included under "Producing assets"). "Proved" represents areas where successful drilling has delineated a field capable of production. "Unproved" represents all other areas.

SUPPLEMENTAL INFORMATION

NET PROVED DEVELOPED AND UNDEVELOPED RESERVES (1)

	Crude oil and NGLs millions of barrels			Total	Natural gas billions of cubic feet
	Conventional	Cold Lake	Syncrude		
Beginning of year 1992	585	738	283	1 606	3 396
Revisions of previous estimates and improved recovery	(20)	10	60	50	(349)
Sale of reserves in place	(16)	—	—	(16)	(227)
Discoveries and extensions	5	—	—	5	—
Production	(52)	(29)	(16)	(97)	(169)
End of year 1992	502	719	327	1 548	2 651
Revisions of previous estimates and improved recovery	3	2	3	8	17
Sale of reserves in place	(14)	—	—	(14)	(51)
Discoveries and extensions	—	—	—	—	76
Production	(47)	(30)	(16)	(93)	(188)
End of year 1993	444	691	314	1 449	2 505
Revisions of previous estimates and improved recovery	14	91	28	133	(1)
Sale of reserves in place	(1)	—	—	(1)	(57)
Discoveries and extensions	3	—	123	126	17
Production	(44)	(30)	(17)	(91)	(162)
End of year 1994	416	752	448	1 616	2 302

(1) Net reserves are the company's share of reserves after deducting the shares of mineral owners or governments or both. Natural-gas reserves are calculated at a pressure of 14.73 pounds per square inch at 60°F.

All reported reserves of crude oil and natural gas are located in Canada. Reserves of crude oil include condensate and natural-gas liquids. Conventional and Cold Lake crude-oil and natural-gas reserve estimates are based on geological and engineering data, which have demonstrated with reasonable certainty that these reserves are recoverable in future years from known reservoirs under economic and operating conditions existing at December 31 of the relevant year. Reserves of crude oil at Cold Lake are those estimated to be recoverable from the existing experimental pilot plants and commercial stages 1 through 10. The calculation of reserves of crude oil at Syncrude is based on the company's participating interest in

the production permit granted in October 1979 and as amended in January 1985, July 1988 and September 1994 by the Province of Alberta.

Net proved reserves are determined by deducting the estimated future share of mineral owners or governments or both. For conventional crude oil (excluding enhanced oil-recovery projects), oil from the Cold Lake pilots and natural gas, net proved reserves are based on estimated future royalty rates representative of those existing at December 31 of the year. Actual future royalty rates may vary with production and price. For enhanced oil-recovery projects, Syncrude and stages 1 through 10 of Cold Lake, net proved reserves are based on the company's best estimate of average royalty rates

over the life of each project. Actual future royalty rates may vary with production, price and costs.

Reserves data do not include crude oil and natural gas discovered in the Beaufort Sea – Mackenzie Delta and the Arctic Islands, or the reserves contained in oil sands other than those attributable to Syncrude, the Cold Lake pilot area and stages 1 through 10 of Cold Lake production operations.

In 1994, Imperial's net proved reserves of crude oil increased by 167 million barrels, while the proved natural-gas reserves decreased by 203 billion cubic feet. Production in 1994 totaled 91 million barrels of crude oil and 162 billion cubic feet of natural gas. Revisions of previous estimates and improved recovery added 133 million barrels of crude oil and decreased

natural gas by 1 billion cubic feet. Sales of reserves accounted for an additional decrease of 1 million barrels of crude oil and 57 billion cubic feet of natural gas. Discoveries and extensions totaled 126 million barrels of crude oil and 17 billion cubic feet of natural gas in 1994.

An extension of Syncrude's production lease to the year 2025 and a revised estimate of the company's net share of Syncrude reserves, coupled with a sustained improvement in Cold Lake bitumen recovery rates that reflect improved technology and greater production experience, account for the increase in crude-oil reserves. Exploration did not provide sufficient additions to natural-gas reserves to offset the effects of divestments and production.

WELLS DRILLED (1)

		1994		1993		1992		1991		1990	
		gross	net	gross	net	gross	net	gross	net	gross	net
Exploratory	Conventional	2	2	3	3	6	5	40	24	52	33
	Heavy oil	15	15	115	115	23	23	6	6	—	—
Development	Conventional	361	137	260	107	104	27	58	23	93	35
	Heavy oil	15	15	115	115	23	23	6	6	—	—
Total wells drilled	Exploratory	2	2	3	3	6	5	40	24	52	33
	Development	376	152	375	222	127	50	64	29	93	35
Total wells in progress		8	4	14	6	8	4	4	3	11	5

LAND HOLDINGS (1)

		1994		1993		1992		1991		1990	
		gross	net	gross	net	gross	net	gross	net	gross	net
Canada	Western provinces										
	Conventional	5.9	2.9	6.9	3.2	8.2	3.7	9.5	4.5	11.5	5.5
	Heavy oil	1.1	0.5	1.0	0.4	1.0	0.4	1.8	0.6	1.8	0.6
	Northern areas (2)	0.9	0.3	1.0	0.4	1.3	0.5	1.7	0.7	2.1	0.7
	Atlantic offshore	0.9	0.7	0.9	0.7	0.9	0.7	1.0	0.7	1.1	0.8
International	Malaysia	—	—	—	—	—	—	—	—	2.2	0.4
Total oil and gas land holdings		8.8	4.4	9.8	4.7	11.4	5.3	14.0	6.5	18.7	8.0

(1) "Gross" includes the interests of others; "net" excludes the interests of others.

(2) Northern areas encompass the Arctic Islands, the Yukon and the Northwest Territories, including the Beaufort Sea – Mackenzie Delta region.

SHARE OWNERSHIP, TRADING AND PERFORMANCE

		1994	1993	1992	1991	1990
Share ownership						
(thousands)	Average number outstanding, weighted monthly	193 841	193 841	193 841	193 199	190 872
	Number of shares outstanding at December 31	193 841	193 841	193 841	193 841	191 754
(percent)	Shares held in Canada at December 31	21.2	24.5	26.5	25.3	22.6
(number)	Registered shareholders at December 31 (1)	20 778	21 388	22 010	22 468	22 908
	Shareholders registered in Canada	18 253	18 805	19 290	19 648	19 903
Shares traded (2)						
(thousands)		44 417	37 336	31 848	34 267	37 154
Share prices (2)						
(dollars)	High	48 ³ / ₄	50 ¹ / ₄	48 ¹ / ₈	61 ¹ / ₈	67 ⁵ / ₈
	Low	40 ¹ / ₈	40 ¹ / ₈	37 ³ / ₄	38 ³ / ₄	53 ¹ / ₄
	Close at December 31	46 ¹ / ₄	44 ³ / ₄	40 ⁵ / ₈	40	58 ⁵ / ₈
Earnings per share						
(dollars)		1.85	1.44	1.01	0.84	1.34
Price ratios (2)						
(at December 31)	Share price to earnings ratio	25.0	31.1	40.2	47.6	43.8
	Share price to cash flow provided from earnings	8.4	7.4	6.9	7.8	16.6
	Share price to cash provided from operating activities	11.4	6.0	5.5	6.5	10.8
Dividends (3)						
(millions of dollars)	Total	930	349	349	348	344
(dollars)	Per share	4.80	1.80	1.80	1.80	1.80

(1) Imperial is an affiliate of Exxon Corporation, which owns 69.6 percent of the company's shares.

(2) Data for all periods prior to July 1991 are for Class A shares.

(3) The fourth-quarter dividend has been paid on January 1 of the succeeding year.

Information for security holders outside Canada

Cash dividends paid to shareholders resident in countries with which Canada has an income-tax convention are usually subject to Canadian nonresident withholding tax of 15 percent. The withholding tax is reduced to 10 percent on dividends paid to a resident of the United States who owns at least 10 percent of the voting shares of the corporation. The 10-percent withholding tax rate will, following ratification of a protocol amending the Canada-U.S. Tax Convention by

the Canadian and U.S. governments, be reduced for subsequent dividends to seven percent for 1995, six percent for 1996 and five percent thereafter.

There is no Canadian tax on gains from selling shares or debt instruments owned by nonresidents not carrying on business in Canada.

Valuation day price

For capital-gains purposes, Imperial's common shares were quoted at \$31.50 a share on December 31, 1971, and \$45.875 on February 22, 1994.

QUARTERLY FINANCIAL AND STOCK TRADING DATA

		1994				1993			
		three months ended				three months ended			
		Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
Financial data									
(millions of dollars)									
	Total revenues	2 096	2 231	2 341	2 343	2 179	2 272	2 243	2 209
	Total expenses	1 901	2 176	2 032	2 179	2 021	2 047	2 063	2 082
	Unusual items	(28)	(38)	(8)	4	(5)	(103)	(12)	(2)
	Earnings before income taxes	167	17	301	168	153	122	168	125
	Income taxes	75	22	130	67	80	54	84	71
	Net earnings	92	(5)	171	101	73	68	84	54
Segmented earnings									
(millions of dollars)									
	Natural resources	(7)	18	99	57	20	66	15	(9)
	Petroleum products	118	(12)	71	35	69	4	96	69
	Chemicals	(2)	9	20	25	5	19	1	10
	Corporate and other	(17)	(20)	(19)	(16)	(21)	(21)	(28)	(16)
	Net earnings	92	(5)	171	101	73	68	84	54
Per-share information									
(dollars)									
	Net earnings	0.47	(0.02)	0.88	0.52	0.38	0.35	0.43	0.28
	Cash flow provided from earnings	1.58	0.64	1.83	1.45	1.45	1.55	1.64	1.37
	Dividends (declared quarterly)	0.45	3.45	0.45	0.45	0.45	0.45	0.45	0.45
Share prices (1)									
(dollars)									
	Toronto Stock Exchange								
	High	48 1/8	48 1/4	44 3/4	48 3/4	47 7/8	49 1/2	50 1/4	50 1/4
	Low	44 1/2	40 1/8	40 1/4	43	40 1/8	45 5/8	43 1/8	44
	Close	44 7/8	40 1/2	42 7/8	46 1/4	47 7/8	47 5/8	47 7/8	44 3/4
(\$ U.S.)	American Stock Exchange								
	High	36	35	33 1/8	35 7/8	38 1/2	39	38 1/4	38 1/2
	Low	32 1/4	29	29 1/8	31 3/4	31 1/4	36 1/4	34	32 7/8
	Close	32 3/8	29 1/4	32 1/8	33	38	37 1/8	36	33 7/8
Shares traded (2)									
(thousands)									
		9 492	11 233	10 171	13 521	11 374	8 087	9 015	8 860

(1) Imperial's shares are listed on the Montreal and Toronto stock exchanges, and are admitted to unlisted trading on the American Stock Exchange in New York. The symbol on these exchanges for Imperial's common shares is IMO. Share prices were obtained from stock-exchange records.

(2) The number of shares traded is based on transactions on all the above stock exchanges.

BOARD OF DIRECTORS

Imperial's board of directors has the primary responsibility for the long-term strategic direction of the corporation in the interest of all shareholders. The relatively small number of board members facilitates a close working partnership and provides an effective forum for the resolution of a broad range of issues of concern to the company. Imperial elected its first three nonemployee directors in 1977, and each of these directors is still serving. The five nonemployee directors are chosen not only for their business and professional skills but for their regional diversity, which the company regards as essential for a corporation doing business from coast to coast in Canada.

Committees of directors

Audit committee

J.B. (Bruce) Buchanan, chair

The committee, composed of the five nonemployee directors and Mr. Cacchio, reviews the company's annual and quarterly financial statements, accounting practices, and business and financial controls. The internal audit program and its findings are reviewed with the committee. It also recommends to the directors nominees for the external auditors to be appointed by the shareholders at each annual meeting, reviews their audit work plan and approves their fees. The shareholders' auditors, Price Waterhouse, attend and participate in all meetings. The committee met seven times in 1994.

Environment, health and safety committee

W.A. (Bill) Macdonald, chair

The committee, composed of the five nonemployee directors and Mr. Peterson, reviews policies and programs for corporate environment, health and safety matters. The committee oversees the company's performance in this area and monitors compliance with regulatory and corporate standards in the company's operations. It also monitors trends, and reviews current and emerging policy in these areas. The committee met three times in 1994.

Executive resources committee

P. (Pierre) Des Marais II, chair

The committee, composed of the five nonemployee directors and Mr. Peterson, is responsible for decisions on the compensation of senior management above the level of vice-president and for reviewing the executive development system, including specific succession plans for senior management positions. It also reviews corporate policy on compensation. The committee met four times in 1994.

Nominations and corporate governance committee

R.J. (Dick) Currie, chair

The committee, composed of the five nonemployee directors and Mr. Peterson, recommends to the directors the slate of director candidates to be proposed for election by the shareholders at the annual meeting. It also recommends guidelines for the selection and tenure of directors and specific director candidates when vacancies are expected. The committee met once in 1994.

In January 1995, the committee's mandate was expanded to include such matters as the effectiveness of Imperial's system of corporate governance, the overall performance of the board of directors, and the relationship between the board of directors and the company's management.

Imperial Oil Charitable Foundation

M. (Muriel) Kovitz, chair

In January 1994, the Imperial Oil Charitable Foundation began operation, taking over the activities of the long-standing contributions committee of the board. The foundation's board of directors is composed of the five nonemployee directors and Mr. Baldwin. Imperial's contributions program is aimed at enhancing the quality of Canadian life through support for education, health, welfare, community services, culture and sport. The foundation's directors met five times in 1994.

DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

Directors

D.D. (Doug) Baldwin

*Senior vice-president, resources division
Imperial Oil Limited
Calgary, Alberta*

J.B. (Bruce) Buchanan

*President
Coastwise Developments Inc.
Vancouver, British Columbia*

D.J. (Dan) Cacchio

*Senior vice-president,
finance and administration
Imperial Oil Limited
Toronto, Ontario*

R.J. (Dick) Currie

*President
Loblaw Companies Limited
Toronto, Ontario*

P. (Pierre) Des Marais II

*President and chief executive officer
UniMédia Inc.
Montreal, Quebec*

B.J. (Brian) Fischer

*Senior vice-president,
products and chemicals division
Imperial Oil Limited
Toronto, Ontario*

M. (Muriel) Kovitz

*President
Murko Investments Ltd.
Calgary, Alberta*

W.A. (Bill) Macdonald

*President
W.A. Macdonald Associates Inc.
Toronto, Ontario*

R.B. (Bob) Peterson

*Chairman, president and
chief executive officer
Imperial Oil Limited
Toronto, Ontario*

Senior management and officers

R.B. (Bob) Peterson

*Chairman, president and
chief executive officer*

D.D. (Doug) Baldwin

*Senior vice-president,
resources division*

D.J. (Dan) Cacchio

*Senior vice-president,
finance and administration*

B.J. (Brian) Fischer

*Senior vice-president,
products and chemicals division*

J.F. (John) Kyle

Vice-president and treasurer

R.C. (Ron) Walker

Vice-president and general counsel

P.A. (Paul) Smith

Comptroller

J. (John) Zych

Corporate secretary

INFORMATION FOR INVESTORS

Head office

Imperial Oil Limited
111 St. Clair Avenue West
Toronto, Ontario, Canada M5W 1K3

For more information

About your shares

If you have a question about dividend payments, dividend reinvestment, lost dividend cheques, settling an estate, or transferring or replacing share certificates, you can use Imperial's toll-free service to obtain information 24 hours a day.

In Canada call: 1-800-267-9515

In the United States call: 1-800-388-1518

Employees with shares in the Imperial Oil savings plan should contact the benefits helpline.

About the company

To receive the following documents, you can leave a message with your request at (416) 968-5076. The material will be mailed to you within three business days.

- Annual and interim reports
- Form 10-K
- *Information for Investors* (a factbook that describes the company and its operations in detail – it also includes the most current financial information and executive speeches)

For other financial information, write to the investor relations manager at Imperial's head office.

In addition, investors with access to a computer and modem can use Imperial's Investor Instant Information Service (4IS). If you wish to access the computer-based information service, the number is (416) 968-8465 (up to 9600 baud modem) (N-8-1) or, if you require assistance, please call the investor communications coordinator at (416) 968-8145.

The annual meeting

The annual meeting of shareholders will be held in the Metro Toronto Convention Centre, 255 Front Street West, Toronto, Ontario, Canada, on Wednesday, April 19, 1995, at 11 a.m. local time. The annual meeting record date was March 10, 1995.

Dividend payments

Imperial has a long record of uninterrupted dividend payments. Anyone who is an owner of shares on the record date is paid the dividend. Record dates normally fall in the last month of each calendar quarter – i.e., March, June, September and December. The dividend payment date is normally the first day of the following month. For the first quarter of 1995 the record date was March 10, and the payment date is April 1.

To increase your shareholdings

The dividend-reinvestment and share-purchase plan provides shareholders with two ways to add to their shareholdings at a reduced cost. The plan enables shareholders to reinvest their cash dividends in additional shares at an average market price. Funds directed to the dividend-reinvestment and share-purchase plan are used to buy existing shares on a stock exchange rather than issue new shares. Shareholders can also invest between \$50 and \$5,000 a calendar quarter in additional shares at an average market price.

To transfer shares

To transfer Imperial shares, contact the principal offices of our transfer agents: Montreal Trust Company of Canada in St. John's, Charlottetown, Halifax, Saint John, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver, and Mellon Securities Trust Company in New York.

Shareholder account updates

To change your address, eliminate multiple mailings, elect direct deposit of cash dividends or for other shareholder account inquiries, please write to our transfer agent, Montreal Trust Company of Canada at:

Montreal Trust Company of Canada
151 Front Street West, 8th Floor
Toronto, Ontario, Canada M5J 2N1

Version française du rapport

Pour obtenir la version française du rapport de la Compagnie Pétrolière Impériale Ltée, veuillez écrire à la division des Relations avec les investisseurs, Compagnie Pétrolière Impériale Ltée, 111 St. Clair Avenue West, Toronto, Canada M5W 1K3.

MEETING STAKEHOLDER EXPECTATIONS

Imperial's success depends on how effectively the company responds to the expectations of the millions of Canadians who have a direct or indirect stake in the company.

Our **customers** are fundamentally important to our success, and the company strives to retain their valued business and loyalty by providing them with quality goods and services at competitive prices.

Our **shareholders** can reasonably expect returns that are competitive with other investments of similar risk. For them, the company is working to provide total returns – in capital appreciation and dividends – that are equal to, or better than, investments of a comparable nature.

Employees expect a safe, stimulating and nondiscriminatory workplace where they can progress toward known objectives in ways that provide scope for job satisfaction and personal development. The company's response is to foster an organization of accountable people, focused on superior performance, who receive competitive compensation and are supported by the resources needed to outperform the competition.

The **communities in which Imperial operates** major facilities can rightfully expect that those facilities will be designed and operated in a way that minimizes risks, hazards and environmental impact. That is why Imperial has established the "operations integrity" framework, with demanding expectations of safe and

reliable performance of facilities and a requirement that our operating-site management communicate with neighbors on a regular basis.

Our **business colleagues** have a right to expect that Imperial will deal with them fairly and consistently, giving preference to competitive Canadian companies, and showing loyalty to suppliers who meet expectations of quality, service and value. In 1994, more than 80 percent of the goods and services Imperial purchased – representing expenditures of about \$5 billion – came from Canadian sources.

All stakeholders have a right to be dealt with in an ethical manner. That is why Imperial has had a written code of ethics for more than 20 years and ensures that the code is adhered to.

Canadians also expect companies like Imperial to make a positive contribution to the broader life of their communities. The company has been responding to that expectation for more than a century through a program of philanthropy that has become one of the largest and most extensive in Canada. During 1994, about 600 charitable organizations across the country received about \$5 million to support their worthwhile endeavors on behalf of education, community services, health and welfare, arts and culture, and sports and recreation. Particular emphasis is placed on programs that enhance the lives and experiences of young Canadians.



This report is printed on 50-percent recycled paper that includes 10-percent post-consumer waste and has been printed and bound to facilitate recycling.



Imperial has been designated a "caring company" by the Imagine campaign.

Design • Smith-Boake Designwerke Inc.
Photography • *Portrait*, Rob Waymen, Toronto
• *Cover*, Bako/Becq Inc., Calgary
Printing • Matthews Ingham and Lake Inc.,
a Quebecor Printing Inc. company



Imperial Oil

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